ORGANIZATIONAL KNOWLEDGE AND CAPACITY FOR SERVICE IMPROVEMENT IN UK PUBLIC ORGANIZATIONS

by
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A thesis submitted in partial fulfilment of the requirement for the degree of Doctor of Philosophy

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DECLARATION

The thesis is the candidate's own work. It has not been submitted for a degree at another university.

PUBLICATIONS

These publications arise from and are relevant to this PhD research.

Downe, J., Hartley, J. and Rashman, L. (2004). Evaluating the extent of inter-organizational learning and change through the Beacon Council Scheme. *Public Management Review, 6*(4): 531-553.

Hartley, J. and Rashman, L. (2007). How is knowledge transferred between organizations involved in change*?* In M. Wallace, M. Fertig, and E. Schneller (eds). *Managing change in the public services.* Oxford: Blackwell.

Rashman, L., Downe, J. and Hartley, J. (2005). Knowledge creation and transfer in the Beacon Scheme: Improving services through sharing good practice *Local Government Studies 31*(5*):* 683-700.

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Rashman, L. and Hartley, J. (2002). Leading and Learning? Knowledge transfer in the Beacon Council Scheme. *Public Administration, 80*(3): 523-542.

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ABSTRACT

This is a study on organizational knowledge and capacity, with a particular focus on how learning takes place and how capacity can be developed to improve public service organizations. It has wider implications for how we think about learning in all types of organization.

The study adds theoretically and empirically to the limited literature that addresses organizational capacity in public organizations. It examines explanations of capacity that may be associated with better-performing local authorities and organizational sharing of knowledge and service improvement.

The research design and methodology incorporate a conceptual framework and an empirical measurement instrument designed to investigate factors that explain organizational capacity. A longitudinal, quantitative survey of the population level of all 388 English local authorities examined comparisons of organizational capacity between better-performing and lower-performing councils.

The findings provide empirical evidence of the relationship between better-performing organizations and greater organizational capacity. Those organizations with greater capacity for learning can draw on prior knowledge to increase their current capacity. Capacity contributes to explanations of the relationship between an organization's particular environment, and utilization of its internal potential, including organizational knowledge, for future performance.

The study concludes with a reformulated definition of organizational capacity. It also finds that capacity building derives from different perspectives and is conceptually different from organizational capacity. It draws attention to the importance of context for organizational studies, and calls for definitions and operational measures that are suitable for all sectors.

ABBREVIATIONS

BV	Best Value
CCT	Compulsory Competitive Tendering
CLG	Department of Communities and Local Government
CPA	Comprehensive Performance Assessment
ESF	European Social Fund
HRM	Human Resources Management
IDeA	Improvement and Development Agency
IER	Warwick Institute for Employment Research
LAA	Local Area Agreement
LGA	Local Government Association
LPSA	Local Public Service Agreement
LGMA	Local Government Modernisation agenda
NAO	National Audit Office
NPM	New Public Management
ODPM	Office of the Deputy Prime Minister
R&D	Research and Development
UNDP	United Nations Development Programme
WERS	Workplace Employment Relations Survey

CHAPTER ONE - INTRODUCTION

INTRODUCTION

This is a study on organizational knowledge and capacity, with a particular focus on how learning takes place and how capacity can be developed and sustained to improve public organizations. It has wider implications for how we think about learning in all types of organization.

The value of knowledge has been acknowledged as critical to strategic success in business. Within the mainstream body of research into organizational knowledge and capacity, there is much that relates to the private world of business and relatively little research into the extent and processes of capacity and knowledge management in public services. There is a need for research that addresses the limitations of previous conceptualizations of organizational capacity.

The thesis will show that most studies of organizations appear to be context-blind. Even where they state the importance of context, it is often treated perfunctorily, downplayed (Johns, 2001) and rendered invisible (Rousseau and Fried, 2001) despite exhortations that it is necessary to understand organizations and organizational behaviour. The study of public organizations draws attention to the application of organizational and management theory in particular contexts. There is a shortage of research that takes into account how organizational concepts and practice that draw from private companies

might be adapted for public services (Hartley et al, 2008). To take one particular example of the application of concepts to public organizations, I will consider the meaning of policy language in public policy reform of English local government. I select local government because it is of substantial scale in the UK and it has been subjected to continuous reform over the last two decades.

POLICY, THEORY AND PRACTICE IN PUBLIC SERVICE REFORM

The predominant approach to modernization of local public services in the UK has been associated with prescriptive strategies intended to improve organizational performance (Cabinet Office, 2006). However, policy initiatives for public service reform have largely neglected theories of organizational change, cultural and human dimensions of organizational behaviour, organizational learning and capacity (Benington, 2000).

The ambitious programme of central government policy measures for public service reform has resulted in some policies being developed at the same time as they were implemented (Millward, 2005). Conceptualizations and definitions of key terms appeared imprecise or even absent (Harrow, 2001) but local authorities were expected to give practical expression to *"demonstrating that policies are being delivered almost before they [had] been defined."* (Millward, 2005: 598). It is possible to conclude that government

itself has been unclear and that the policy implementers have struggled to assign meaning to vague concepts.

Terms such as “capacity building” have become fashionable in public policy, where they have been applied ambiguously and rhetorically, posing problems of mixed messages (Lowndes, 2002), mistaken understanding (Harrow, 2001) and conflicting perceptions amongst public sector organizations.

Turning to one specific policy example of capacity building, the Beacon Scheme illustrates the confusion, scepticism and misinterpretations of meaning in practice.

The semantics of capacity and capacity building

The Beacon Scheme has two key elements as a policy instrument intended to improve corporate and service performance in English local government. It provides national recognition through a competitive application process and award and it aims to share good practice on improvement across local government. The Beacon Scheme has been identified as one of a number of national schemes which contributes to public service improvement by capacity building (ODPM, 2003a).

In March 2008, the Beacon Awards Ceremony was considered to be the highlight of the Beacon year. This high-profile gala event recognised local

authorities' high quality achievement and service excellence: *"Following on from the spectacular success of last year's event, the ceremony celebrated first and foremost the outstanding achievement of all best value authorities that reached the short-listed stage."* (IDeA, 2008a).

In a specially recorded interview with newsreader Martyn Lewis, for "the Beacon Scheme TV news", Parmjit Dhanda, the Minister for Communities and Local Government (CLG) described the strength of the Beacon Scheme: *"These are prestigious awards to win and I think highly regarded by those in local government but also those in [central] government and communities at large."* (Nice TV, 2008).

The Minister's statement contrasts with the implications for the Beacon Scheme of views expressed by the Local Government Association (LGA), a cross-party organization representing all local councils in England. On 11th December 2007, the LGA published a list of 100 "non words" that public bodies should avoid when discussing their work and services. The LGA argued that the use of "impenetrable jargon" and meaningless phrases was so serious that it could destroy the democratic process:

"Without explaining what a council does in proper English then local people will fail to understand its relevance to them or why they should bother to turn out and vote. Unless information is given to people to explain why their

council matters then local democracy will be threatened with extinction" (LGA, 2007: no page number).

Heralding the potential demise of local democracy, the first ten of the LGA list of 100 banned words contained four terms that relate to the Beacon Scheme and are central to this doctoral thesis. The first ten items read:

Figure 1.1: Local Government Association's top 10 of 100 banned words (LGA, 2007)

The LGA's top banned words.

1. ambassador
2. agencies
3. beacon
4. best practice
5. bottom up
6. CAAs
7. can do culture
8. capacity
9. capacity building
10. cascading

The coincidental appearance of beacon, best practice, capacity and capacity building (all of which relate to the Beacon Scheme) in the LGA's first ten "non-words" was due to their alphabetical order, but they were among surprising and striking features of the LGA list. Many of the phrases listed, including "beacon" featured strongly in current policy measures for public service and local government reform.

Why had the LGA suggested banning words that related directly to government policies for its own membership? Examples of such policy-related

terms included beacon, capacity building, community engagement, Local Area Agreements, place-shaping and third sector, each of which related to specific central government policy instruments for local government. Why had they advised against the use of apparently comprehensible words, including customer, governance, outcomes, stakeholder and vision?

The item attracted the attention of the BBC News, which picked up the LGA item on banned words, suggesting three categories for the terms: those based on actual words; adaptations; and rhetorical (Rohrer, 2008). Karen Day, editor of the Local Government Chronicle, suggested that the blame lay elsewhere than in town halls, claiming that the majority of these terms came from central government and then were adopted by other people (Rohrer, 2008).

It could be argued that the reiteration of rhetorical language is instrumental in signalling compliance with and operation of government policy (Millward, 2005: 603). Above average performing authorities had been found to have adopted government catch-phrases (Millward 2005: 608) but it is questionable whether use of rhetoric and a focus on their image influenced perceptions of performance improvement, or even concealed dissent.

The ambiguity of meaning in policy language makes it important to examine the nature of capacity and capacity building, which are ill-defined concepts underpinning the Beacon Scheme. Is a Beacon council merely a rhetorical

artefact? Can capacity be defined so as to give meaning and vitality to the Beacon Scheme and form a basis for empirical work to explore organizational capacity in the context of UK public organizations?

DEFINITIONS OF CAPACITY

Turning first to the dictionary, capacity is defined as: *"The ability or power to contain, absorb or hold; the amount that can be contained…the maximum amount something can contain or absorb… the ability to understand or learn… the ability to do or produce."* (Collins, 1979: 223).

The definitions of capacity reflect the term's origins that can be traced first to the 15th century, from medieval French, capacité, which in turn is derived from Latin capax "able to hold much" and from capere "to take".

When applied to organizations, these definitions suggest that capacity is a wide-ranging concept and that an organization may be able to acquire and assimilate tangible and intangible capacities, which could include a range of organizational variables. An organization may be constrained or defined by limits that determine the maximum capacity it may contain and the extent of its productive outcomes.

Importantly, capacity includes learning, which is given greater emphasis in a second dictionary definition: *"The power of receiving and holding ideas,*

knowledge; the comprehensiveness of the mind; the receptive faculty; capability of understanding or feeling." (Dictionary. com, 2008).

The idea that organizational capacity incorporates: first, absorption of knowledge and learning; second, other organizational assets and processes; and third its productivity, makes it a potentially useful construct for organizational studies. The association between capacity, knowledge and learning emphasises that organizational capacity is an important but under-theorized concept in organizational research.

Returning to the policy context for public service reform, organizations in the public sector require capacity to meet the demands of a changing society and to create public value, rather than products, profit and market domination (Hartley et al, 2008). The rationale for capacity and capacity building derives from the differentiation between local councils on the basis of judgements about their performance, in contrast to conceptualizations that emphasize knowledge creation, innovation and sustainable organizational change. The importance of learning capacity for public organizations has been acknowledged only very recently in policy circles:

"Failure to learn from past successes and failures poses a genuine risk to investment in public services" (National Audit Office, 2008: 3).

There is a lack of knowledge both about the conditions and processes whereby improvement is achieved, and how externally imposed policy initiatives are mediated by local contexts (Martin, 2005). Capacity and capacity building need to be underpinned by theories that explain how individual and organizational learning lead to change in organizations and institutions.

THE RESEARCH QUESTIONS

The research is intended to contribute to knowledge about the concept of organizational capacity in public organizations and how capacity can be developed to improve public services. I examine factors that influence how learning takes place and how capacity can be developed and sustained to improve public service organizations. The research investigates the relationships between organizational capacity, learning and performance; changes over time in organizational capacity; and whether capacity may be associated with better performing public organizations. Research questions include:

What do we mean by organizational capacity?

Is the award of Beacon status associated with greater organizational capacity and greater capacity building?

PLAN OF THE THESIS

This thesis has seven further chapters. Chapter 2 reviews the literature on organizational capacity and on organizational capacity building that is relevant to understand the contexts and dimensions of capacity in public organizations.

Chapter 3 describes the context of the study undertaken in this thesis: the reform of UK local public service organizations. It sets the scene for the investigation of the Beacon Scheme as one particular policy instrument to explore the relationship of reform to organizational change, learning and capacity.

Chapter 4 provides the research aims; describes the development of a conceptual and empirical framework, so as to operationalize the theoretical concepts explored in the literature review; and develops the research strategy, methods and techniques, and data collection methods. This study forms a discrete and identifiable area of a larger research programme of which full details are provided later.

Chapters 5 and 6 present the results strategy and analysis of the research results respectively. Chapter 5 is concerned with testing the conceptual model; and the descriptive statistics for the two national surveys of organizational capacity in all English local authorities.

Chapter 6 is concerned with an analysis and interpretation of the research results in detail.

Chapter 7 discusses the robustness of the research design and methodology; and interpretation of the meaning and value of the main results of this study into knowledge transfer and organizational capacity in English local authorities.

Chapter 8 concludes the study by considering its contribution to knowledge and wider implications on organizational knowledge and capacity in public organizations for organizational theory, policy and further research.

CHAPTER TWO: ORGANIZATIONAL CAPACITY AND KNOWLEDGE LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

INTRODUCTION

The literature review in this chapter examines the development of the concept of organizational capacity. This chapter identifies a number of distinct traditions, contributory concepts and definitions of organizational capacity. It reviews literature on organizational capacity and on organizational capacity building that is relevant to understand the contexts and dimensions of capacity in public organizations.

The literature review is divided into six main sections. The first section introduces the purpose and scope of the review. Second, it defines some key terms and maps the main themes in the review. Third, it examines the literature related to organizational capacity: capacity in public sector organizations; innovative organizational capacity; absorptive capacity; organizational capacity and performance; and differences between organizational capacity and capability. Fourth, there is discussion of the capacity-building literature. The fifth section brings together the two central themes of organizational capacity and organizational capacity building to examine measures of capacity in key empirical studies. The chapter concludes by arguing that limitations include incomplete conceptualization, minimal empirical evidence, and restricted applicability to public organizations.

Purpose and scope of the review

Organizational capacity is an interesting though problematic concept. This review of the literature reveals a paucity of academic literature, as well as a lack of agreement on a definition, and so this chapter aims to identify key themes and gaps.

The review maps out and explores a range of inter-related concepts which include organizational learning, organizational knowledge, organizational capacity, and capacity-building, each of which is represented by a separate literature. Discussion of each of these concepts is focused on their direct relevance to the research questions and the particular emphasis on the UK public sector. The discussion will be used subsequently to develop a theoretical framework and model of organizational capacity that can be applied to the public sector.

Within the mainstream body of research into organizational knowledge and capacity, there is much that relates to the private world of business and relatively little research into the extent and processes of capacity and knowledge management in public services (Rashman et al, 2006).

Organizational capacity is a recent feature of UK central government policy reform of public service performance (Audit Commission, 2002; Cabinet Office 2006). The concepts underlying the model of performance and government

policy initiatives - organizational improvement, capacity, capacity-building, and inter-organizational learning – are not made explicit. In policy literature, these are often vague terms, subject to different interpretations and often lacking a clear and consistent definition. Amongst the issues that this review intends to address are the lack of a clear theoretical framework and inconsistent usage of the terms organizational capacity and capacity building in the academic and policy literatures.

There is a scarcity of empirical evidence and a significant need to develop theory and research which explains the relationship of organizational capacity first to organizational learning and second to organizational performance. The apparent lack of relevant research, concepts and theory are likely to limit the extent to which policy initiatives for the public sector can be successfully evaluated.

The literature review will not address all aspects of organizational capacity and capacity building. Rather it will examine the basic concept and then its operational relevance to the improvement of UK public services. In particular, it will address those aspects of organizational capacity and capacity-building most closely associated with organizational knowledge, learning and performance.

Literature review approach and methodology

The approach to the literature review incorporates a systematic review on organizational learning, knowledge and capacity in public services (Rashman et al, 2006). The systematic review was intended to provide an overview of the literature in relation to organizational learning, knowledge and capacity and to tease out some of the range of ways in which these concepts are understood, defined and used in the literature, as well as a range of ways in which they are researched (Nutley et al, 2002: 2).

The review follows some but not all elements of the orthodox methods of systematic review (Tranfield et al, 2003) which include a commitment to make the review scientific, transparent and replicable. The approach builds on a conceptual synthesis (Nutley et al, 2002) to provide an overview of the literature, including the main concepts, frameworks and debates, and the identification of areas where knowledge is lacking, with an emphasis on establishing the implications of these for evidence-based policy and practice. The reason for taking this particular approach in relation to organizational learning, knowledge and capacity is that these fields lack paradigmatic consensus. Details of the review methodology are given in Appendix 1.

Amongst important factors in the inclusion criteria for relevant literature, were an emphasis on conceptual clarity and typologies useful for public services, rather than private organizations; and identification of areas where knowledge

is still lacking. Literature that relates to public organizations is given increased emphasis and relevant policy literature and policy documents are included within the scope of the review.

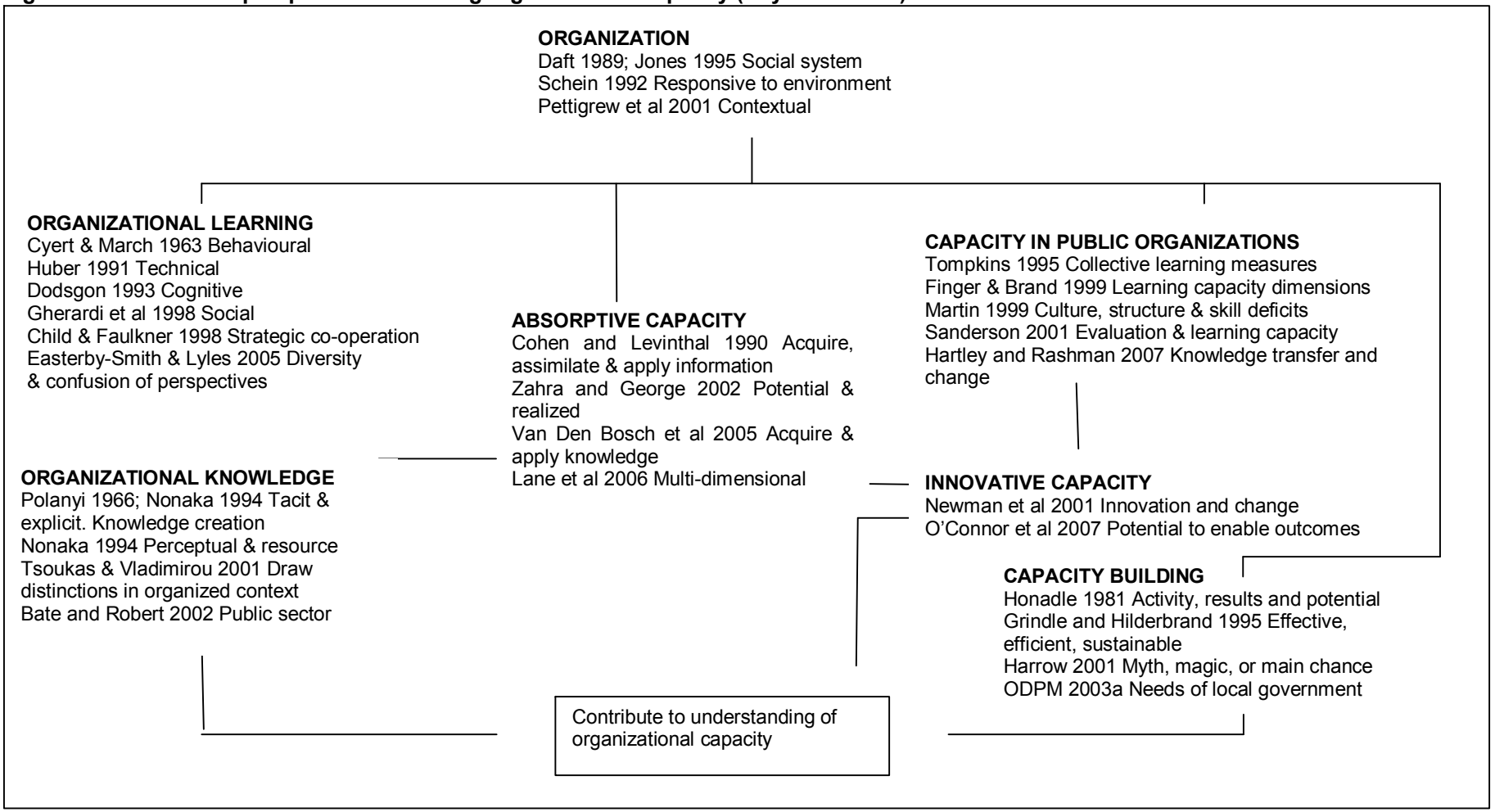
First, there is a need to define some key terms and explain the relationships of some key concepts.

DEFINITIONS OF KEY TERMS AND MAPPING OF MAIN THEMES

The lack of a clearly defined stream of literature on organizational capacity requires the review to scope out and explore a number of distinct themes. The review draws on three main theoretical perspectives to contribute to understanding of organizational capacity: organizational theory; learning-based and knowledge-based views of the organization; and organizational capacity and capacity building in the field of public policy. There has been relatively little cross-fertilization between the literature on organizational knowledge and learning, which is situated predominantly within private organizations; and on the other hand, literature on capacity and capacity building, in public organizations.

A more detailed visual representation is provided in a thematic road map (Pettigrew and Fenton 2000: 2) of the relationships of the themes within and between the literature topics (Figure 2.1).

Figure 2.1: Theoretical perspectives informing organizational capacity (Key references)



Mapping of key theoretical perspectives

As part of examining organizational capacity, defining each of the main concepts and key terms is an important first step in the literature review because the concepts are often used loosely or in divergent ways across the papers. The review turns briefly to theories and concepts of organization, organizational capacity, capacity building, organizational learning and organizational knowledge but it is not within the scope of this review to consider developments in organizational theory.

Organization

The review draws attention to the problematic concept of the organization with regard to both learning and knowledge. Easterby-Smith et al (1999: 17) note that the

"magic juxtaposition of the terms 'organization' and 'learning' stresses, rather than hides, the need for clear and elaborate conceptualizations of what is meant by both 'organizations' and 'learning'".

This is a view echoed by Tsoukas and Vladimirou (2001: 975) who argue for an understanding of a theory of knowledge and a theory of organization in order to understand organizational knowledge. By extension, the review argues that an understanding of organizational capacity will require a theory of organization, and a theory of capacity.

There is a marked tendency in the learning and knowledge literature to assume by default that the organization is a private company (e.g. Argote et al, 2003; Beeby and Booth, 2000; Child and Faulkner, 1998). Often the terms "organization", "firm" and "company" are used interchangeably, and there are few papers which define or describe the specific organizational context or type of organization being studied. However, many definitions emphasise that organizational knowledge and learning is context-specific (e.g. Bate and Robert, 2002; Newell et al, 2003) and therefore the context of public or private becomes relevant to the understanding of knowledge, and capacity.

Organizations are dynamic social systems with broadly identifiable and permeable boundaries, and structured activity systems (Daft, 1989; Jones, 1995). Organizations consist of social systems of individuals and groups of people who interact with one another to perform required functions according to networks of communication and relationship. They interact with their external environment, responding, adapting and sometimes shaping economic and market forces, technological innovation and demographic and social changes (Schein, 1992). It is claimed that *"Organizations can transform themselves"* (Nonaka and Takeuchi, 1995: 49) and that to do so they must be active agents of innovation creating new products, new methods and new organizational forms.

Setting organizations in their institutional context of rules, norms and values, and culture (Scott, 2008), draws attention to the embeddedness of the organization in its social, cultural, political and historical context (Pettigrew et al, 1992) and challenges the rational goal-directed perspective. Contextual and institutional analyses are of particular importance for public organizations, which face greater external constraint and pressure for accountability than the private sector (Jaffe, 2001; Hartley et al 2008).

There are organizational and institutional features that are central to understanding public service organizations, that are often absent from organizational definitions and descriptions. Such features include managing power and politics; managing conflict between organizational goals and national policy direction; and tensions between professional development and organizational learning (Nutley and Davies, 2001).

For the purpose of this enquiry the definition of organization adopted combines the above elements. Organizations are complex, dynamic social systems of individuals and groups, with identifiable rules, values, goals, cultures and contexts. Organizations manage tensions between internal and external priorities that derive from their institutional, political and historical context.

Organizational capacity

There is no clearly defined stream of literature of organizational capacity. In contrast to the literature on organizational learning and knowledge, much of the literature on organizational capacity and capacity building is set within the context of public policy.

Organizational capacity includes capacity at the organizational level to learn (Child and Faulkner, 1998; Finger and Brand, 1998), share collective knowledge (Beeby and Booth, 2000) and to make productive use of organizational knowledge (Cohen and Levinthal, 1990): these knowledge-related features include the concept of absorptive capacity (Cohen and Levinthal, 1990). A distinction has been drawn between potential and realized capacity (Zahra and George, 2002; O'Connor et al, 2007; Honadle, 1981) which includes anticipation of future needs and the management of resources and relationships (O'Connor et al, 2007), in order to increase future capacity.

In public organizations, innovative organizational capacity (Newman et al, 2000; O'Connor et al, 2007) and capacity for improvement (Sanderson, 2001) are often related to overtly political and policy contexts (Hou et al, 2003) which drive the need for improved performance. Capacity has been defined as the political and managerial systems needed for achievement of performance improvement (Jas and Skelcher, 2005). A wider definition of organizational capacity is implied by Osborne and Flynn (1997), who argue that innovative

capacity is explained by structural patterns, culture, institutional rules and norms, and the organizational context.

The review highlights the confusion of multiple perspectives that appear to address only partial aspects, and rarely pay attention to organizational capacity as a distinct concept.

Organizational capacity building

Capacity building derives from different disciplinary fields compared with organizational knowledge, learning and capacity. The concept has its origins in international social and economic development where it is associated with the strengthening of institutions and social renewal (Paul, 1995). Definitions of capacity building in its widest context relate to national, institutional and governmental approaches to economic development, social cohesion, and the development of a skilled workforce (Paul, 1995; Ohiorhenuan and Wunker, 1995; Grindle, 1997).

The term has been applied to voluntary sector organizations where community capacity building has a range of meanings including local citizen participation, building stronger voluntary organizations, and increasing the strengths of local people (Harrow, 2001). In the community setting, capacity building has developed multiple and conflicting meanings, resulting in confusion and scepticism for voluntary organizations (Harrow, 2001).

In the more recent application of capacity building to public management theory, definitions have focused on the expansion of skills and knowledge (ODPM, 2005) to improve organizational performance (Rashman and Radnor, 2005; Martin, 1999; Hartley and Rashman, 2007). The intersection of policy, practitioner and academic contributions to definitions has resulted in greater misinterpretation and confusion (Harrow, 2001) in the term's meaning. This range of conceptualizations contributes to the problematic nature of capacity building.

Organizational learning

The literature review examines and distinguishes between the concepts of organizational learning and organizational knowledge.

There is considerable divergence of academic views about what "learning" is and how it occurs (Dodgson, 1993). Organizational learning can be described as a process of individual and shared thought and action in an organizational context, involving cognitive (DeFillippi and Ornstein, 2005; Dodgson, 1993), social (Gherardi et al, 1998; Lave and Wenger, 1991), behavioural (Cyert and March, 1963); emotional (Fineman, 2005); *and* technical elements (Huber, 1991; Levitt and March, 1988). The social perspective (Gherardi et al, 1998; Lave and Wenger, 1991) treats learning as inseparable from social interaction and engagement in work practice within a specific organizational context.

Some authors who take a social view of learning warn that its highly situated nature may make transfer from one context to another problematic or unviable (Gherardi et al, 1998: 279) because learning is rooted in a specific domain.

There are two widespread problems in the field of organizational learning: confusion and over-simplification (Easterby-Smith et al, 1998: 260). Confusion derives from numerous disciplines, definitions and diversity of perspectives, yet there is also a risk of over-simplification when concepts are transferred between disciplines without authors being aware of the original underlying assumptions. Therefore, it is important to be clear about the definitions and how they are being used.

Organizational knowledge

In contrast to the social perspective of organizational learning, the literature on organizational knowledge derives mainly (but not exclusively) within economics, strategic management, and information management fields, influenced by systems theory and computer science (Easterby-Smith and Lyles, 2005; Chiva and Alegre, 2005). Many authors (Lam, 2000; Nonaka, 1994) share the view of knowledge as constituted of different forms; based in part on perception and experience and in part as a resource that can be aggregated, codified and stored. Knowledge is seen as a key component of organizational learning: cognitive, experiential, context-specific and relational

(Nonaka, 1994; Chiva and Alegre, 2005). Organizational learning depends on the interaction between different forms of knowledge.

There is a distinction between the possession of explicit knowledge that can be codified and stored external to people; and tacit knowledge, which cannot (Polanyi, 1996; Nonaka, 1994). These two dimensions of knowledge are two sides of the same coin, and tacit knowledge underlies explicit knowledge (Tsoukas, 2005). Drawing on the classification by Polanyi (1996) of tacit and explicit knowledge, Nonaka (1994) develops the concept of organizational knowledge creation, in which the knowledge created by individuals is amplified and transformed to develop the organization's cognitive resources.

The idea of the organization as a knowledge institution is a recent perspective and there is relatively little writing about knowledge-based public organizations (Bate and Robert, 2002; Hartley and Rashman, 2007).

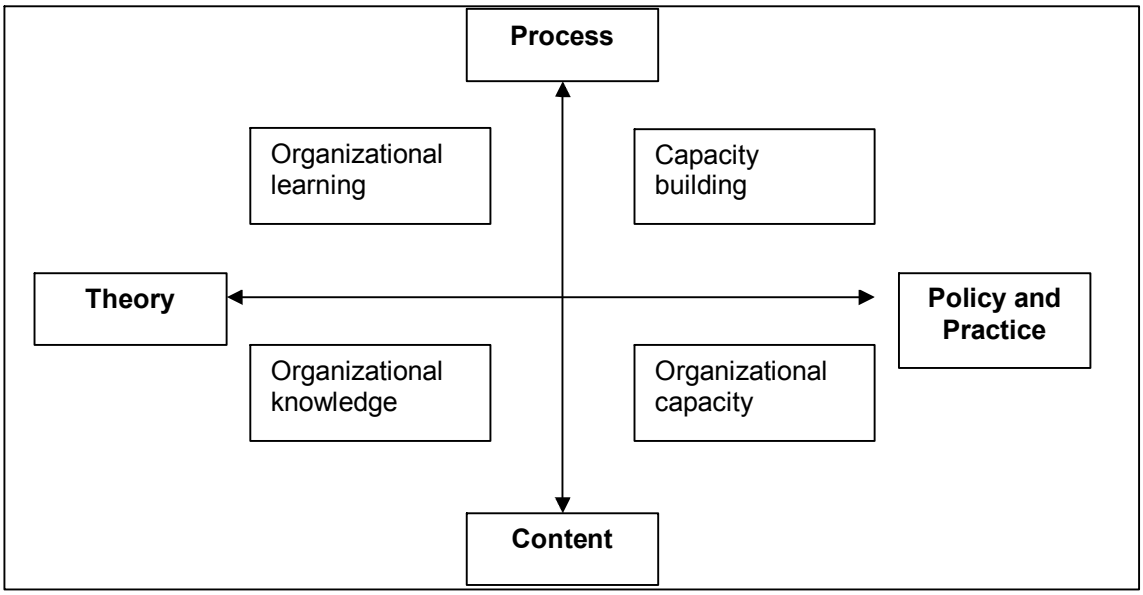
Key topics

The key themes and the inter-relationships between them indicate some of the problems in clarifying concepts that are ambiguous and that have been developed primarily in private sector contexts. This literature review on organizational capacity intends to provide evidence that will contribute to this body of knowledge by clarifying definitions and conceptual distinctions.

Easterby-Smith and Lyles (2005) develop a model and this has been used in the current research to outline a framework of four key topics to map the literature review onto two axes: theory-policy and practice; and content-process, as in Figure 2.2. “Practice” based concepts tend to emphasise managerial concerns, whereas in public service organizations policy (and political) as well as managerial concerns are important. Therefore the dimensions take these factors into account.

First, the content-process axis distinguishes the respective emphasis in the literature on the left hand side: organizational knowledge tends to emphasize content and systems, and organizational learning tends to emphasize social processes of learning. On the right hand side of the figure, organizational capacity is conceptualized as the content (e.g., structures, systems, culture) that the organization possesses and capacity building is the process whereby it acquires capacity.

Figure 2.2: Mapping of key topics in the literature review (Source: adapted from Easterby-Smith and Lyles, 2005: 3)



Second, organizational knowledge and organizational learning are represented mainly in the academic-theoretical literature; and organizational capacity and capacity building are represented mainly in the policy literature.

The review has introduced the main perspectives on organizational capacity which derive from: organizational theory; learning-based and knowledge-based views of the organization; and contextualised perspectives on organizational capacity and capacity building in public organizations. The four main topics of this review are organizational capacity, capacity building, organizational learning, and knowledge. The next section of the review turns to detailed examination of explanations of organizational capacity, and capacity building.

ORGANIZATIONAL CAPACITY

The review identifies several perspectives of organizational research that contribute to understanding of organizational capacity. These perspectives include; capacity in public organizations; innovative capacity; absorptive capacity; capacity and performance; and distinctions between capacity and capability. This section of the review discusses each perspective in turn, beginning with organizational capacity in public organizations.

Public organizations and organizational capacity

In this section of the review, I examine organizational capacity in relation to public organizations.

Capacity in UK public service and governmental organizations has been seen as the political and managerial systems in the organization that are needed to implement programmes of organizational change and improve performance (Jas and Skelcher, 2005; Turner and Whiteman, 2005). Within an empirical exploration of public organizations' performance, Jas and Skelcher (2005) argue that organizational performance trajectories depend upon cognition (information and awareness), capability (leadership coalition with a change orientation) and capacity.

Turning to one example from government policy literature, organizational capacity has acquired increasing importance in UK policy making and

instruments aimed at improving organizational performance of public services. In UK governmental policy documents, capacity has been defined for example, as "*the right organization, systems, partnerships, people and processes to deliver against a particular agenda or plan"* (ODPM 2003a: 8)*,* which suggests a complex series of relationships between individual, systemic, managerial, organizational and inter-organizational features, but also is supremely unhelpful because there is no indication of what constitutes 'right'.

Creating capacity within the private sector is driven by the need for adaptation to survive external threat (Child and Faulkner, 1999) and to achieve commercial advantage (Cohen and Levinthal, 1990) in the face of competitive pressures. Organizations in the public sector face some of the same capacity challenges as those in the private sector: organizational capacity for public organizations is important for creating adaptive organizations, for mobilizing processes of organizational and cultural change (Martin, 1999; Hartley et al, 2002), developing local capacity, resources and skills (Martin, 1999; Harrow, 2001), sharing knowledge (Hartley and Allison, 2002; Rashman and Hartley, 2002; Hartley and Rashman, 2007); and providing efficient, high quality and fair standards of services (Cabinet Office, 2006).

Some writers on public services have argued that there is a strong relationship between improvement and capacity in public service policy

implementation: *"The improvement of local public services will…depend in large measure on the capacity of local agencies to implement [these] reforms"* (Martin, 1999: 54). Local government needs sufficient capacity to resolve inherent tensions and barriers to policy change (Martin, 1999), which include: inconsistencies and contradictions within policy reform; centrally imposed performance control; and the potential conflicts of interests between different groups of stakeholders. Cultural, structural and skill-based capacity constraints require capacity building programmes that will develop the capacity and capabilities to implement reforms (Martin, 1999) but there is relatively little empirical research into the drivers, processes and outcomes of capacity building programmes.

Public sector managers often face concurrent demands of both long-term and short-term priorities and demands. They aim both to sustain and improve service performance, and to implement national policy shifts (Schall, 1997). Unlike some private sector managers, public service managers and leaders need to anticipate the long-term future, affecting public value for future generations. Thus public organizations require both potential and realized capacity (Zahra and George, 2002), as described by Schall (1997: 370): *"any public manager must develop the capacity to build a long-term strategic agenda while simultaneously managing the short-term crises."* In contrast, Boyne (2008: no page number) asserts that a large part of capacity for

organizational performance can be attributed to luck*: "changes in external circumstances that are beyond the control of the organization*".

Sanderson (2001: 302) identifies a relationship between organizational capacity, organizational culture and performance in local government. He argues for the development of an evaluation capacity, which will critically *"question and challenge existing practices, beliefs and values",* so as to create and embed continuous learning; and a distinction between the capacity for change and the nature of change in local authorities. First, the capacity to achieve change and improvement in local authorities must be based on evidence of performance, produced through evaluation systems. Second, the nature of organizational change must align with key goals and outcomes.

Turning from public organizations' performance in general, to research into the turnaround of under-performing councils, Turner and Whiteman (2005) found wide variations between authorities. Their research identifies different causes of poor performance that moderate the extent of "capacity to improve" and antecedents including culture, socio-economic and historical context.

Antecedents of capacity that influence performance trajectories include structural re-organization, employment policies, organizational innovation, "adverse" aspects of organizational culture and concern about sustainability of

recovery (Turner and Whiteman, 2005). These factors suggest a wider definition of capacity than managerial and political systems.

Sustained poor performance may occur when particular features of the organization are either absent or insufficient, suggesting that capacity is an issue (Jas and Skelcher, 2005: 18). Absence of capacity may be demonstrated in *"gaps in support systems"* of performance management and financial management, and in the failure to orient the organization in line with leadership goals but this is a rather limited operationalization focused on variables of internal leadership and implementation systems.

Changes in organizational culture are needed to ensure and embed the capacity for evaluation and learning in the working practices of a local authority (Sanderson 2001: 310):

- *"capacity for critical reflection, questioning and challenge*
- *capacity for effective dialogue, collaboration and communication*
- *capacity for research and analysis to provide evidence for decisions*
- *capacity for action planning and effective implementation"*

A supportive infrastructure of systems and processes can transfer such capacities into daily routine activities (Sanderson 2001: 310):

- political leadership and management that make use of the available evidence to inform decisions;

- a framework for leadership and strategic direction;
- systematic challenge;
- reinforcement of improved ways of thinking and working.

Sanderson's (2001) approach argues first that organizational culture is an antecedent of evaluation and learning. Second, he identifies analytical, collaborative and planning components of capacity. Third, strategic leadership and mental models moderate the embedding of capacities and their impact on implementation of central government reform. Specific underpinning variables are identified which provide possible operationalization of the concepts. Sanderson's framework appears to be based on research conducted in the 1990's, prior to the current phase of public service reform and lacking more recent empirical evidence. On the other hand, his assertion that *"relatively little research has been undertaken as yet into the role of evaluation in learning in public sector organizations"* (302) remains relevant and indicates the need for further research on this topic.

A number of writers have explored the components of capacity in relation to public service and governmental organizations. Turning first to organizational learning capacity, Finger and Brand (1999: 149) define the learning capacity of an organization as *"its ability to learn individually and as a collective unit."* Six dimensions of a (public service) organization's evolving capacity to learn are distinguished, in an environment of customer and market orientation.

These dimensions address different levels of organizational capacity, structural, and cultural features. Each dimension is related to a series of possible action-orientated indicators for measuring progress, of which examples are cited below:

- *Individual learning capacities* (individual ability for critical reflection and to integrate new information)
- *Collective learning capacities* (interaction, conflict management, diversity)
- *Structural learning capacities* (flat hierarchies, decentralization, integration)
- *Cultural learning capacities* (trust, risk-taking, concern for openness)
- *Capacities resulting from the organization of work* (experimentation, monitoring feedback loops, self-correction)
- *The capacity of the leadership to learn and to promote learning* (reward, critical analysis, question dominant norms) (Finger and Brand, 1999: 150-151).

The six dimensions combine different levels (individual, collective, organizational) and features of the internal organizational context (structural, cultural, systemic and organizational leadership). They argue that it is insufficient to focus on one dimension alone and the combination of the six learning capacities collectively constitute an organization's capacity to learn in

a continuous way. These authors argue for an approach to organizational learning capacity that takes into account the political environment appropriate for the strategic objectives of a public service. The indicators for each of the six dimensions provide possible operationalization of the concepts. However, there are some weaknesses. First, the indicators are tentative, open to interpretation, and require further development. Second, the question of how the learning capacities can combine collectively is unclear. Third, there is a lack of empirical evidence that tests the indicators.

A second approach to components focuses on change capacity. The change capacity of a local authority depends upon components of effective governance, accountability, business results, and cultural capacity for the future (Newman et al, 2000).

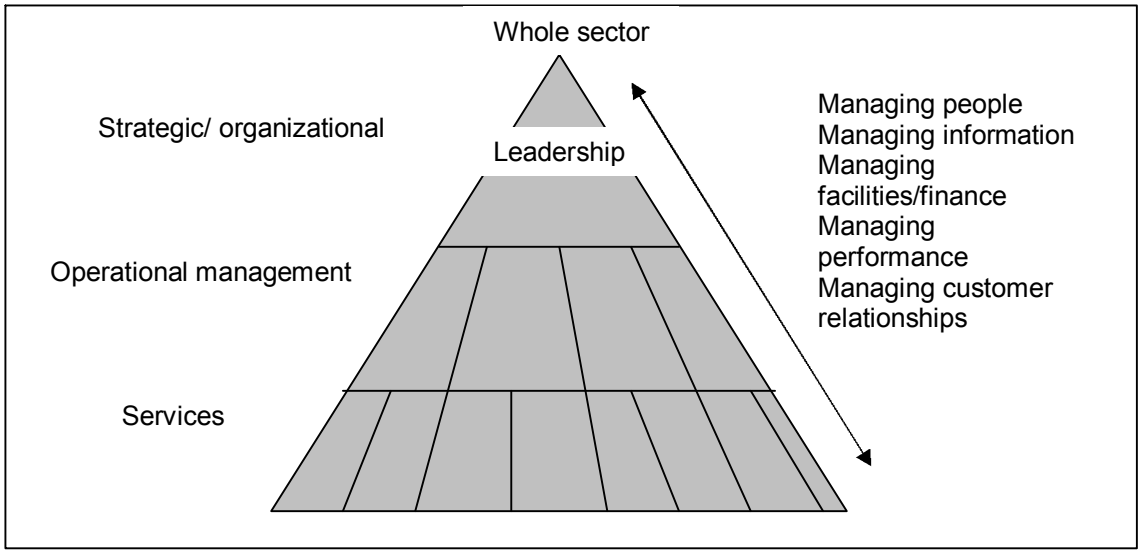
Third, components are developed in a report produced to identify capacity building needs in local government (ODPM, 2003a: 8), based on empirical evidence from 118 telephone interviews and a literature review (no references cited). The authors identified six component areas that may be used to assess internal corporate capacity:

- finance (capital and revenue; current and future)
- systems and processes (contribution to continuous improvement)
- people (volume of staff)
- skills (technical ability of staff and partners)

- knowledge (understanding of managing change and improvement)
- behaviour (accordance with stated values and objectives).

Capacity exists not only in the features of the organization but also at four distinct levels within the organization and its context: the whole sector (or population); strategic and organizational management; operational management; and services (ODPM, 2003a) (Figure 2.3). Service areas that contribute to "corporate effectiveness" such as managing people, information and facilities are amongst the focus for organizational and management capacity at all levels (ODPM, 2003a: 9).

Figure 2.3: Capacity Levels. Source ODPM (2003a: 9)



The inter-relationship between all of the four levels in order to build capacity is explained in terms of components of human resources, systems, structures and culture. Conversely, capacity building activity is described in terms of skill

development, and this differs from the construct's model and definition. The absence of structural and cultural components suggests a limited operationalization.

In contrast with private organizations, those in the public sector require capacity to meet the demands of a changing society and to create public value, rather than profit and market domination (Moore, 1995).

Amongst the challenges for the public sector, public organizations may produce outcomes which are complex, intangible and long-term in nature (Hartley, 2006; O'Connor et al, 2007). Policy-making organizations, such as local, regional and central government contribute to societal outcomes and the creation of public value (Moore, 1995).

Summary

In summary of this section, writers on public organizations draw attention to conceptualizations that argue for responsiveness to factors in the internal organization and triggers in the external environment. A range of conceptualizations relates capacity in public organizations to learning, change, innovation, evaluation and improvement in their performance. Specific capacity deficits may derive from the institutional context, from internal and managerial systems, and unforeseen circumstances. Organizational culture is an important antecedent of current and future

capacity. In terms of outcomes, capacity appears to be a pre-requisite for improved policy implementation and organizational performance of public services but the evidence has not been systematically collected.

A distinction between potential and realized capacity appears to be important for public policy implementation. A range of stakeholders, including customers, partners and elected politicians contribute to organizational capacity in public services. The review identifies some examples of the operationalization of organizational capacity that are relevant to the institutional context of public services. There is a complex inter-relationship of capacity factors between levels: individual (managerial, political), systemic (culture), structural (networks) and institutional (accountability) that requires further research and explanation.

Innovation and organizational capacity

In the context of this study, the literature on organizational innovation is important for understanding particular organizational processes and features that contribute to the dynamic nature of organizational capacity. There are a limited number of studies which examine the innovative capacity of organizations. These studies are relevant because first, organizational knowledge is a component element of organizational innovation (Hartley, 2006; Kim, 1998); and second, innovative capacity has featured in research on public organizations.

Organizational adaptation and innovation are important for public policy and public services (Hartley, 2006; O'Connor et al, 2007). Knowledge sharing at the organizational level between organizations is an important factor in and a central process for generating innovation (Hartley, 2006). Innovation is defined here, following Hartley (2006), as a bright idea or new knowledge that is taken to implementation and is perceived as new by key stakeholders. Organizations that are adept at acquiring and integrating new knowledge are likely to be innovators (Almeida et al, 2005).

Innovativeness has been linked to the capacity of private sector firms to maintain performance within a competitive environment but Hartley (2006) argues that the impact of innovation has been focused on efficiency and markets, which are less relevant to public services, and that the drive for innovation derives from a changing society for public service organizations.

Government organizations have less flexibility in their vision and purpose than private firms (O'Connor et al, 2007) due to their regulative rules, political leadership, principle of majority rule, and multiple stakeholders (Christensen et al, 2007). Specific institutional features, including government policy and legislation can encourage or discourage innovation (Newman et al, 2000). On the other hand, tighter relationships between government policy and local authority implementation can reduce local authority capacity to respond; and

increased focus on service failure may limit capacity to take risks (Newman et al, 2001: 67).

Further research is needed to understand innovativeness as an organizational capacity. Hartley (2006: 69) identifies two forms of capacity, each of which suggests a different combination of creation, contextualization and adaptation of knowledge: capacity to develop and design original innovations; and capacity to adopt and adapt innovations that have been developed in other organizations.

There are a number of antecedents for innovative capacity in organizations: participation in inter-organizational networks of relationships; a pro-active, outward orientation to their environment; and the symbolism of organizational leaders who visibly act to foster innovation (Osborne and Flynn, 1997). Research found that networks embedded at different organizational levels and across partner agencies were perceived to be significant for spreading good practice. In contrast, those local authorities with strong internal and organizational boundaries and involvement in fewer, or weaker networks, displayed less innovation (Newman et al, 2001).

Innovative activity requires a prior level of absorptive capacity, and of tacit knowledge in particular to create and contextualize new knowledge and understanding (Cohen and Levinthal, 1990) because prior knowledge is

needed to diagnose future needs, and to make sense and make use of new knowledge that is created (Kim, 1998).

Newman et al's (2001) research suggests that the innovative capacity of public services is a product of cultural and structural flexibility. Prior strengths in cultural capacity were important components of a local authority's capacity for innovation and for creating a climate open to new ideas and practices (Newman et al, 2000: 54). *"Past programmes of culture change (linked to business and performance goals) appeared to have had a significant impact on innovation capacity."* (Newman et al, 2001: 67).

Newman et al (2000) draw on Osborne and Flynn's (1997: 31) exploration of innovation capacity, which is explained by four hypotheses:

- organizational (structural patterns and relationships)
- cultural (internal environment and values)
- environmental (organizational relationship with its environment) and
- institutional (formal and informal rules and norms).

Overall, Newman et al's (2000) research found that local authorities tended to have predominant capacity in two fields: probity and accountability; and external networks (Newman et al, 2001). The research results show a strong correlation between proactive externally oriented leadership at top

management levels and the innovative capacity of a local authority. Cultural change and staff development enhanced the capacity to access new ideas and adopt fresh practices. Further exploration of this empirical research is included in the later section of this chapter that examines measures of capacity.

Flexibility in organizational culture, systems, procedures and processes are important components of innovation capacity, and Newman et al's, (2000: 51) research identified that organizational structures and cultures were inter-related.

Local authorities' ability to become innovative is moderated by the impact of networks and partnerships; receptivity to new ideas; and path dependency in relation to their political history, local demography (Lowndes, 1999) and performance trajectory.

Summary

To summarize this section, innovative capacity is a wide-ranging concept that is determined by conditions external to and within the organization. These findings indicate that innovative capacity is related to three clusters of factors. First, triggers for innovative capacity derive from the institutional and knowledge environment, such as legislation and government policy, and the external drivers for knowledge and innovation. Second, antecedents of

innovative capacity in the internal organizational context include: flexible structures; visible leadership; an adaptive culture; participation in flexible, intra- and inter-organizational networks; and utilization of existing knowledge resources. Third, there are knowledge-sharing social relationships of internal and external networks with organizations and partners. It can be argued that innovative capacity is an overlapping concept with organizational capacity. By extension the triggers, antecedents, components and processes of innovative capacity can be applied to organizational capacity. Further research is needed to understand innovativeness as an organizational capacity and in particular, its application to public and governmental organizations.

Absorptive capacity will be addressed in the next section.

Absorptive capacity and organizational capacity

Absorptive capacity evolved from prior research in the 1980's (see Van den Bosch et al, 2005; Lane et al, 2006) and was introduced by Cohen and Levinthal in 1989, to become an important concept in organizational literature. It contributes to understanding of the relationships between organizational knowledge, organizational change and innovation (Cohen and Levinthal, 1990; Lane et al, 2006).

The construct relates to organizational knowledge and learning because it is defined as *"the ability [of the firm] to recognize the value of new external*

knowledge, assimilate it, and apply it to commercial ends" (Van den Bosch et al, 2005: 280). Absorptive capacity can be understood as three inter-related dimensions: acquisition of external knowledge; assimilation of external knowledge; and utilization of knowledge. The development of absorptive capacity depends upon social relationships and cognitive factors: prior individual absorptive capacities accumulate and are shared between organizational members so that knowledge can be transferred to other parts of the organization.

The construct appears to have a narrow focus, almost exclusively on private organizations. It originated and was developed in the context of the incentives for commercial organizations to invest in Research and Development (R&D) in science and technology industries (Cohen and Levinthal 1990: Lane et al, 2006). *"Through its R&D activities, a firm develops organizational knowledge about certain areas of science and technology and how those areas relate to the firm's products and markets"* (Lane et al, 2006: 839). R&D intensity is an indicator of investment in absorptive capacity.

There continues to be a private sector context in the focus of absorptive capacity. A detailed review and analysis by Lane et al (2006) of 289 papers on absorptive capacity from 14 journals referred only to "companies" and "firms"; and made no reference to public organizations. That review found only four studies that contributed to expansion of the definition of absorptive

capacity and those studies related to private firms. The concept's early focus on R&D-related contexts appears to have limited its generalizability (Lane et al, 2006: 851) and their review suggests the need for an empirical extension of the concept beyond the R&D context (856). However, their review makes no recommendation that absorptive capacity might be applied to public organizations.

The concept of absorptive capacity could be usefully modified or extended for use in the public sector. It is argued that competition for knowledge between private sector organizations requires the firm to develop a thorough understanding of its own knowledge, the processes by which it converts knowledge and the capacity to meet demands of its environment (Lane and Lubatkin, 1998). It could be argued that public organizations similarly require knowledge and processes to meet organizational goals in response to environmental, political and policy challenges. For the public sector, we might wish to substitute "organization" for "firm"; and "productive" for "commercial" in the definition above, which results in a redefinition suitable for all organizations: *the ability of the organization to recognize the value of new external knowledge, assimilate it, and apply it to productive ends.*

Very little attention has been paid to internal organizational arrangements and managerial practices that may increase absorptive capacity and thereby help to diffuse knowledge inside the firm. Managers can improve the absorptive

capacity of their organizations by applying specific HRM practices oriented towards employees' ability (training and performance appraisal) and motivation (compensation and internal communications) (Minbaeva et al, 2003), as well as effective communication structures (Cohen and Levinthal, 1990). Antecedents for absorptive capacity include the organization's existing knowledge, a learning culture and proactive leadership directed towards sharing knowledge (Greenhalgh et al, 2004).

Absorptive capacity contributes to the understanding of inter-organizational learning due to its focus on the acquisition of knowledge from external sources. Organizational capacity to learn from other organizations depends upon the combination of absorptive capacity with the transferability of knowledge; receptivity to new knowledge; and previous experience of co-operation (Child and Faulkner, 1998).

Absorptive capacity contributes to understanding of the relationships between organizational knowledge, organizational change and organizational performance (Bloodgood and Morrow, 2003). The acquisition of new knowledge and efficient spread of knowledge through an organization are likely to form important aspects of implementation of organizational change (Bloodgood and Morrow, 2003). Organizations with a higher level of absorptive capacity are more likely to be proactive and innovative, with a degree of organizational aspiration (Cohen and Levinthal, 1990). Greater

available knowledge increases the potential capacity for organizational improvement and innovation because *"absorptive capacity allows firms to learn to do something quite different"* (Lane et al, 2006: 836).

The concept of innovative capacity has been related to organizational knowledge sharing and absorptive capacity. Increased capacity for innovation is a potential outcome of a high level of absorptive capacity: the integration of new knowledge that is both cumulative and novel in the way it is applied or adapted (Hartley, 2006).

There is a recursive relationship between absorptive capacity and organizational learning; and between absorptive capacity and organizational innovation (Lane et el, 2006). Absorptive capacity increases the organization's knowledge, which in turn increases the speed and extent of learning, and leads to an increase in its absorptive capacity. *"Innovation produces knowledge that becomes part of the firm's absorptive capacity"* (Lane et el, 2006: 849).

One of the characteristics of the concept of absorptive capacity is that it can be applied to different levels of analysis. It is a function of individuals and of organizational members, as well as of organizations and industries (Cohen and Levinthal, 1990). This multi-level analysis can be usefully applied to

public organizations, to examine the relationships and interactions between individuals, services, public organizations and institutions.

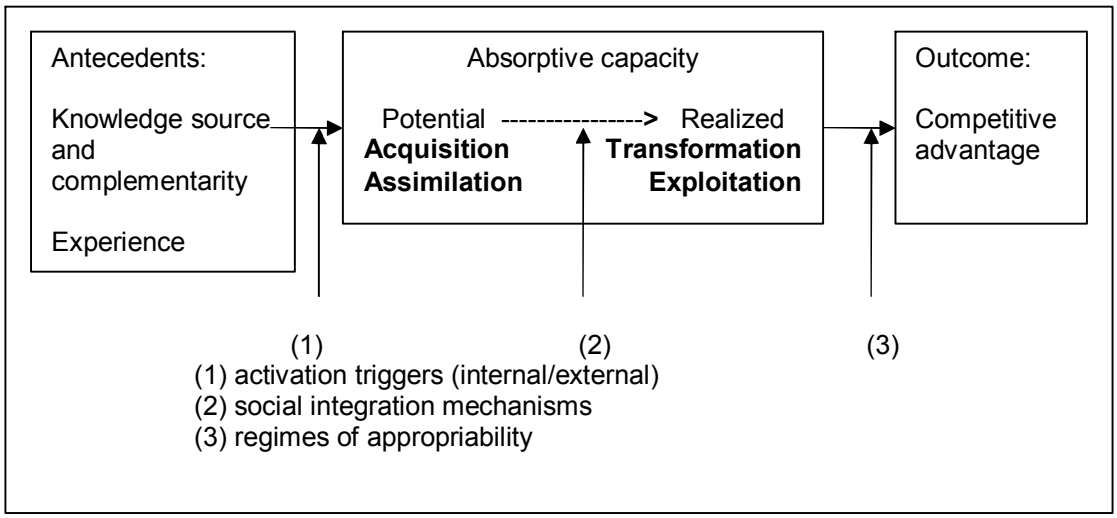
Extensions to absorptive capacity

A distinction has been drawn between potential and realized (actual) capacity to absorb knowledge (Zahra and George, 2002) in which knowledge acquired may or may not be exploited for increased organizational performance (Figure 2.4). Potential capacity is associated with knowledge exploration (acquisition and assimilation) and realized capacity comprises the transformation and exploitation of knowledge (cf Cohen and Levinthal, 1990). External triggers (such as regulatory change), and internal triggers (such as an organizational crisis) are important antecedents influencing potential absorptive capacity, realized absorptive capacity processes and outcomes (Van den Bosch et al, 2005: 293).

The emphasis on the external context as a source of influence is an important addition to the absorptive capacity model that is of particular relevance to public organizations. Zahra and George (2002) propose that the assimilation and application of external knowledge are situation-specific. The gap between potential and realized capacity can be reduced by social interaction between organizational members. However the model has two distinct limitations. First, it is applied to private organizations: there is a focus on competitive

advantage and increased efficiency as desired outcomes. Secondly, the model has not been empirically tested (Van den Bosch et al, 2005: 293).

Figure 2.4: A model of a firm's absorptive capacity: antecedents and outcomes
Source: Van den Bosch et al, 2005: 293 (adapted from Zahra and George 2002)



There has been a rapid expansion of academic literature on absorptive capacity (Van den Bosch et al, 2005; Lane et al, 2006) but it has suffered from misuse, reification, tautology, and threats to the validity of empirical studies (Lane et al, 2006). The critical review by Lane et al (2006) found strong evidence of reification of the concept and a stifling of research in the field of absorptive capacity including: use of R&D spending as a problematic measure; contributions to the field being overstated; very few studies making an empirical contribution; very few studies that consider the effect of organizational structure and processes on the acquisition and exploitation of organizational knowledge. Surprisingly, very few studies examined the relationship between absorptive capacity and organizational learning,

between absorptive capacity and innovation, and between absorptive capacity and inter-organizational learning (Lane et al, 2006).

Lane et al (2006: 856) propose a rejuvenation of the construct that comprises a more detailed redefinition and a model that has four components: external drivers; internal drivers; a multi-dimensional view; and outcomes. Their model suggests attention to aspects of the firm's environment should include competitive, regulatory and knowledge influences. Strategy and structure are inter-related aspects of internal drivers. The multi-dimensional view refers to the processes of exploratory learning; transformative learning; and exploitative learning. The success of the firm is measured by commercial outputs (products, services and patents) and new knowledge outputs (general, scientific, technical, and organizational).

Their review recommends "*emphasis on longitudinal studies in order to address problems of tautological measures and to better explore the process aspects of absorptive capacity"* (Lane et al, 2006: 858). However, the reconceptualization maintains a private organizational focus by sustained interpretation of sector-specific concepts including: "the firm", instead of "organization"; and the wider environment as primarily commercial and competitive.

Summary

In summary of this section, absorptive capacity is an important multi-level concept which refers to the critical relationship between an organization's success, its knowledge base, and learning processes (Lane et al, 2006) but there remain significant theoretical and empirical gaps (Van den Bosch et al, 2005: Lane et al, 2006). Current conceptualizations offer only a partial contribution to an understanding of organizational capacity and limited relevance to public services. There is no agreement about how to measure absorptive capacity; how multilevel characteristics relate to one another (for example how absorptive capacities of employees relate to a firm's absorptive capacity); and there is a need to develop dynamic models to explain the change in a firm's absorptive capacity. These issues may be as relevant to public sector organizations as to firms. The distinction between potential and realized capacity (Zahra and George, 2002) appears to be under-developed and is worthy of further exploration.

Performance and organizational capacity

The relationships between organizational capacity and performance are addressed in this section. First, the review will examine the extent to which the relationship between organizational learning and organizational performance can be evidenced. Second, the relevance of organizational capacity for performance in public organizations is explored.

Some authors make an explicit link between organizational learning and performance, defining learning as a process with potential for course correction (Baldersheim and Stava, 1993); an iterative process of action and reflection, modifying organizational actions to produce desired outcomes (Edmondson, 2002); prevention of whatever problem that triggered learning (Naot et al, 2004); repetition and experimentation that enable better and quicker task performance (Teece et al, 1997); and the capacity, processes (DiBella et al, 1996), resources and capabilities (López et al, 2005) to maintain or improve organizational performance. Exploratory learning can help to generate variety and improvement in performance to adapt to changing circumstances (McGrath, 2001) and to enhance existing practice and routines (Araujo, 1998: 318): *"Organizations are said to learn when they adjust their behavioural routines in response to performance problems."*

In the commercial context of inter-firm competition, Inkpen (2002: 270) asserts that organizational capacity for learning has long-term benefits including protection against competitive threats and for maintaining performance advantages: *"…it has been suggested that a firm's capacity to learn is the key to protecting its long term competitive advantage."* These conceptualizations of organizational learning imply an impact upon changes in organizational performance.

Much of the literature on organizational learning perceives, or even assumes, improvement, change and increased knowledge to be amongst its outcomes. There is evidence that organizational learning can impact organizational performance but Easterby-Smith and Lyles (2005: 645) note that this relationship may not hold at all times or in all settings, and that it is not clear which variables contribute the most and under what circumstances: *"Overall, we do not know how and when learning translates into improved performance".* Therefore, there is a need for research to further investigate where, when and how organizational learning is linked to performance.

Huysman (1999) argues that there are various structural, cultural and personal conditions that may impede learning outcomes. Edmonson and Woolley (2005: 206) argue that organizational learning can have different outcomes within different parts of a single organization, which may be attributed to acceptance of change, psychological safety and interpretation of success and failure.

Learning tends to carry a positive connotation, but research on organizational learning shows that it may or may not produce "good" outcomes (Miner and Mezias, 1996). For example, organizations may learn to do bad things, such as undertaking illegal activities or actions harmful to society and can also learn knowledge that is incorrect (Levitt and March, 1988). Huysman (1999: 62) suggests that there is an "improvement bias" in the literature that refers to

"the tendency to perceive learning as resulting in positively valued outcomes, while treating other outcomes of the same process as less or even not relevant." The improvement bias (Huysman, 1999) may limit acknowledgement of and learning from mistakes (Christensen, 1997), and interpretation of outcomes, and this raises questions about the types of organizational learning that lead to increased capacity and improved performance.

Overall, relatively few empirical studies have yielded practical examples of outcomes of learning (Preskill and Torres, 1999). Similarly, there is little empirical evidence of the effect on performance of absorptive capacity (Lane et al, 2006). As with the lack of a clear, demonstrated relationship between organizational learning and performance, and bias in reporting assumptions, similar problems were found in relation to absorptive capacity. There is a lack of agreement about measures of absorptive capacity and the suitability of measures for a range of organizational contexts (Lane et al, 2006). By extension, there is little evidence for the measurement of organizational capacity and for its impact on organizational performance and there is a need for research which investigates the nature of this relationship.

Turning next to the relevance of organizational capacity for performance in public organizations, a relatively small number of writers have explored the concept of capacity in relation to public services and governmental

organizations, and they include definitions which place emphasis on a presumed linkage between organizational capacity and performance (Martin, 1999; Newman et al, 2000; Sanderson, 2001; Rashman and Hartley, 2002; Jas and Skelcher, 2005; Hou et al, 2003; Rashman and Radnor, 2005; O'Connor et al, 2007). Authors who examine this linkage between capacity and performance have noted the relative lack of empirical attention that has been paid to this relationship.

The effective implementation of government policy for public services depends on the capacity of public organizations to change and improve (Martin, 1999; Jas and Skelcher, 2005) as well as innovate and learn (Rashman and Radnor, 2005). Evaluation of government policies is needed to examine the extent to which the required changes and improvements in public service performance can be delivered.

A number of authors identify moderating factors which are mainly described in terms of constraints to local authority capacity to improve its performance. Constraints include an over-emphasis on internal control (Newman et al, 2000); ineffective organizational culture and structure (Newman et al, 2000; Martin, 1999); lack of analytical skills and meaningful performance data (Martin, 1999); inherent tensions in policy reform; inadequate resources and lack of strategy to co-ordinate different programmes; and lack of models of knowledge creation and transfer (Martin, 1999; Rashman and Hartley, 2002).

A lack of capacity occurs in poor performing organizations that have out-dated, under-resourced systems (Jas and Skelcher, 2005).

In a study of 18 community-based organizations in the USA, government policy implementation by non-profit organizations was found to be dependent upon sufficient capacity to implement a project, achieve policy goals or deliver a service (Fredericksen and London, 2000). Four inter-dependent variables of capacity that support other organizational components are identified: leadership and vision; management and planning; fiscal planning and practice; and operational support. Objective measures of success included production of affordable housing units; and subjective outcomes included local representation, accountability and responsiveness of community-based organizations. The scale of the study is relatively small but it provides examples of public performance outcomes related to capacity.

Summary

In summary of this section on organizational capacity and performance, there appears to be some controversy about the relationship between organizational learning and by extension, organizational learning capacity and performance. There is little recent exploration of the topic and little empirical evidence supports the relationship between organizational learning capacity and performance. A small stream of literature in public sector research

examines the relationship between organizational capacity and improvement but this review finds that there is a range of conceptualizations and measures.

Frameworks that help to integrate the different perspectives (on organizational learning, knowledge and capacity) would assist production of measurement methods and tools with wider applicability.

Organizational capacity and capability

One problematic aspect of the definition of organizational capacity is the use of organizational capability to refer to a similar concept and at times for these terms to become confused. A single analysis may draw from both the capability and capacity approaches and positive performance outcomes may derive from the combined indicators of both capacity and capability (Hou et al, 2003). A large number of authors use the terms interchangeably but this review argues that a distinction is important and necessary. A further confusion is related to the concept of dynamic capability or capabilities, which will be addressed briefly in this section.

Organizational capability has been defined as people management (Ulrich and Lake, 1991), governing structures and rules (Hou et al, 2003), a focus on objectives and specifying activities (O'Connor et al, 2007; Honadle, 1981). It is linked to competitive advantage in private organizations and has been defined

by Ulrich and Lake (1991: 77) as: *"The firm's ability to manage people to gain competitive advantage."*

These authors' explanation of organizational capability identifies an inter-relationship between: critical elements of capable organizations; the capacity for change; and managerial action. The "critical elements" of organizational capability are mainly focused on management knowledge and practice, regarding customer needs, leadership and effective human resource management (Ulrich and Lake, 1991: 82).

In contrast, creating "capacity for change" includes: redesign of organizational systems; learning from previous success and failure; integration of tasks, structures, processes and systems at the technical, political and cultural levels; and the ability to sustain change over time (Ulrich and Lake, 1991). The argument can be made that within this single model, organizational capability is represented by a rather narrow definition of managerial knowledge, skill and practice, but in contrast, organizational capacity for change is a much broader, complex concept that has systemic, structural, processual, cultural *and* managerial characteristics.

A small number of authors have explored capacity and capability within a governmental or public service context. These authors argue that capacity in public organizations needs to be understood and measured by different

definitions than business enterprises (Honadle, 1981). The conceptualization of capacity can lead to vagueness, as it may be conceptualized and operationalized in many ways. Hou et al (2003) for example, identify and distinguish two perspectives relevant to governmental organizations: the administrative capacity approach, which considers the importance of policies, procedures and rules that generate positive performance (a rather narrow definition); and the governance capability approach, which focuses on broader governing structures and impact on actors of rules, related to political choice, legislation and regulation.

On the one hand, Hou et al's (2003) distinction between the two concepts relies on rather narrow definitions but on the other hand, their approach is helpful in two respects. First, their conceptualization acknowledges the inherently political atmosphere in which capacity is created and that public performance is a co-production of political and administrative actors. Second, their research intends to differentiate and combine the two perspectives. However, their empirical analysis is focused on a narrow set of financial measures of performance (rainy day funds), which have limited applicability.

Distinctions between innovation capability and innovation capacity in government policy organizations are explored by O'Connor et al (2007).

"Innovation capacity…addresses the internal potential to enable outcomes…Capacity requires close attention to the underlying resources and the extent to which it is embedded…while capability addresses the process of combination [of resources] compared with defined outcomes." (O'Connor et al, 2007: 545).

In this definition, innovation capability combines resource assets with "nimbleness", internal processes and focused management, towards innovation outcomes. Capability can impact on organizational effectiveness when there is sufficient social capital and an organizational infrastructure and culture conducive to generating and applying ideas. The growth in innovation capacity depends upon the development of capabilities.

In contrast to a private sector focus on competitive advantage, O'Connor et al (2007) argue for application to a specific context. They identify producing innovative policy solutions as the challenge facing government organizations. The types of innovation identified through research in an Australian government organization included stakeholder policy initiatives and responses, and proactive policy exploration but the research evidence is based on a small sample. Policy innovation capacity in the public sector and in policy-making organizations is an under-researched and complex area of investigation (Hartley, 2006: O'Connor et al, 2007).

Capability and capacity have been represented as multi-level concepts, including individual and organizational levels. "*While organisational capacity is strongly influenced by individual capabilities, it is more than the sum of individual capability."* (ODPM 2003a: 10). Research into capacity building needs in local government indicates that individual capability is important but only one of a number of contributory factors. However, the nature of the relationship between individual capabilities and structural and cultural organizational elements is not explained. The review will return to the issues of organizational levels and capacity building in later sections.

Dynamic capabilities

The concept of dynamic capabilities derives from the strategic, competitive advantage and resource-based view of the firm (Teece at al, 1997). A relatively early definition of the term is given as:

"The firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments." (Teece at al, 1997: 515).

Within this definition, capabilities are associated with and at times confused with competences, which are "distinctive" and *"difficult to replicate"* (Teece et al, 1997: 525) and which are ill-defined aspects of firm behaviour. However this raises questions about how to define distinctiveness. The dynamic

capabilities approach places emphasis on “routines” and specific, strategic and organizational processes that use resources to match or create market change including strategic decision making, webs of collaboration, product development, and alliances (Eisenhardt and Martin, 2000). This definition of the concept appears rather static. It is difficult to understand how routine activities can be sufficiently responsive to dynamic conditions. There appears to be confusion between the concepts of competence and capability.

Zollo and Winter (2002: 339) argue that the concept is tautological because capability is defined as “an ability” and they reconceptualize dynamic capabilities as systematic, stable patterns of behaviour derived from experience accumulation, knowledge articulation and codification of tacit and explicit knowledge.

However, the concept’s relationship to knowledge is not underpinned by empirical research (Easterby-Smith and Prieto, 2008). It is claimed that dynamic capabilities can be shaped by learning mechanisms and knowledge utilization (Eisenhardt and Martin, 2000) but the theoretical relationship between dynamic capabilities and organizational knowledge and between dynamic capabilities and processes of learning and adaptation is unclear. The range of interpretations of a routine is so inclusive that it is difficult to discern their distinctiveness from organizational activity. The term is misleading as it appears to suggest that capabilities are dynamic, whereas they are

susceptible to the stability of market conditions and path dependent (Eisenhardt and Martin, 2000), meaning the current position is shaped by historical choices and future options. The capabilities are routinized and in contrast it is the external environment which is the dynamic component of the concept. Most of the literature on dynamic capabilities is isolated from the literature on organizational capacity. This review argues it is of limited value to understanding of organizational capacity and capacity building because it is fuzzy, tautologous and inaccurate.

Distinctions between organizational capability and capacity in public service and governmental organizations draw attention to the important roles of politicians, policy-makers and other stakeholders. The relationship between organizational capability and capacity is relatively under-theorised and lacking in empirical evidence but it has a particular importance for public organizations (O'Connor et al 2007: 545):

"To date capacity and capability seem to have had little focused distinction in the public sector, however we argue that there is indeed a difference and capacity is a powerful concept for a policy-making organization."

Summary

To summarize this section, organizational capability and organizational capacity are two distinct concepts, shown in Table 2.5 below. Confusion

arises from their interchangeable use, and vagueness in their definitions. Capability refers to collective and system level human and social skills and knowledge. These capabilities include variables of management practice, individual skills, the deployment of resources, development of social capital, and achievement of performance results. In contrast components of organizational capacity are organizational infrastructure, culture, and systems. Capacity variables include the activities, complex change processes, and transformation of the potential of an organization that contribute to organizational outcomes. The potential aspect of capacity is an ill-defined but important factor in a range of definitions and explanations. The concept of dynamic capabilities is of limited value to this review.

Figure 2.5: Comparison of key features of organizational capacity and capability within individual studies

Study	Key features of organizational capacity	Key features of organizational capability
Ulrich and Lake (1991)	Sustained change over time Integration and alignment System redesign	Management practice Understand customer needs Human resource management
Honadle (1981)	Anticipate change Policy decisions Attract and absorb resources Management of change	Management of physical, informational, human and financial resources
O'Connor et al (2007)	Transformation of potential to enable outcomes	Focused on innovation objectives or outcomes
Hou et al (2003)	Achievement of outcomes Policies and rules that generate positive performance	Impact of legislative and political rules and governing structures Political actors
ODPM (2003a)	Organisation systems, processes and culture Use of human resources	Individual skills and competencies

The following section of the review summarizes the key debates on organizational capacity.

Summary of debates on organizational capacity

In conclusion of this section of the literature review, and to draw together the body of literature related to organizational capacity in public services, it is important to acknowledge a number of issues arising from the key debates. First, there is no consensus on a definition of organizational capacity and definitions draw from a range of disciplines and perspectives. The term is ambiguous. Definitions are needed that help to explain its relationship to organizational learning and organizational knowledge. The review argues for definitions that are appropriate for public sector contexts.

Second, organizational capability and organizational capacity are – or at least should be - two distinct concepts. The terms are used interchangeably in many texts and there is a need to develop conceptualizations of organizational capacity that help to distinguish capacity from capability in organizations. From a review of the literature, capability refers to collective skills and knowledge, and management practice. In contrast, organizational capacity is related to organizational infrastructure, culture, and systems and it includes the activities and potential of an organization to influence its future action and performance.

Third, the review finds a variety of frameworks that define, describe and explain organizational capacity. The frameworks derive from different conceptualizations and have different emphases. Some conceptualizations

focus on the internal characteristics of the organization, such as structure and culture. A second group is focused on knowledge characteristics of capacity, which include knowledge-creating mechanisms, systems and resources. A third group addresses organizational processes. A fourth group of conceptualizations incorporates context-specific features: this is particularly the case with regard to public organizations. The majority of the frameworks incorporate a combination of antecedents, internal organizational characteristics, knowledge-sharing characteristics, social processes *and* features of the external context. One of the tasks of the research will be to define organizational capacity to take into account the complex, inter-related features of the internal and external environment of public organizations.

Fourth, there is a range of dimensions of capacity within the frameworks that have been identified by the review. However, there are relatively few examples of measures of organizational capacity and further research is needed to synthesize and expand current knowledge in this field. In addition, there is little empirical evidence that supports the relationships between organizational capacity, organizational learning and organizational performance. The need for operational measures of organizational capacity and empirical evidence of its relationship with organizational learning and performance are amongst important gaps which the doctoral research is intended to address.

A summary of the key conceptual frameworks, definitions, and dimensions of organizational capacity is presented below (figure 2.6). The figure includes the institutional context, whether public, private, or voluntary sector; and the type of organizational capacity. The review next turns to the concept of capacity building.

Figure 2.6 Frameworks of Organizational Capacity

AUTHOR / DATE	CONTEXT	TYPE OF CAPACITY	FEATURES OF DEFINITION	DIMENSIONS OF CAPACITY
Finger and Brand 1999	Public sector (Swiss Post Office)	Organizational learning capacity	An organization's learning capacity is its ability to learn individually and as a collective unit	Six learning capacities: Individual learning capacities Collective learning capacities Structural learning capacities Cultural learning capacities Capacities resulting from the organization of work Capacity of leadership to learn and promote learning
Child and Faulkner 1998	Commercial partnerships	Capacity to learn	Capacity is a pre-determinant of learning and an outcome of successful strategy	Combination of four factors: Transferability of knowledge Receptivity to new knowledge Competence to understand and absorb knowledge Previous experience of co-operation
Cohen and Levinthal 1990	Commercial	Absorptive capacity	Ability to recognize value of new information, assimilate it and apply it to commercial ends	Antecedents Prior related knowledge Internal mechanisms Outcomes Innovative performance Expectation formation
Van den Bosch et al 2005	Commercial	Absorptive capaciity	Ability to recognize value of new knowledge, assimilate it and apply it to commercial ends	Models of antecedents, combinative capabilities and outcomes
Zahra and George 2002 Lane and Lubatkin 1998	Inter-organizational alliances Commercial	Relative absorptive capacity	Potential and realized capacity	Antecedents Knowledge source Experience Potential absorptive capacity Acquisition Assimilation

				Realized absorptive capacity Transformation Exploitation Outcome Competitive advantage
Tompkins 1995	Defence industry	Collective capacity	Diffusion, plus the expansion of capacity to take effective action, defines collective learning	Four stages of collective learning Collaborative climate Collective understanding Collective competency Continual improvement Preferred outcomes indicate expansion of capacity
Martin 1999	Public services, local government	Capacity to improve	Improvement of local pubic services will depend on capacity of local agencies to implement reforms	Capacity constraints Cultural; complacency; ineffectual conservatism; compliance Structures Skills
Sanderson 2001	Local government	Capacity for evaluation and learning	Capacity to achieve change and improvement, based upon evidence of performance produced by evaluative systems	Key attributes: Capacity for Critical reflection Effective dialogue Research and analysis Action planning
Newman et al 2000 2001	Local government	Organizational innovation capacity Organizational change capacity	Incorporates: innovation generative capacity, adoptive capacity, effectiveness capacity, learning capacity	Four capacity dimensions: Adapt to external forces Deliver business results Ensure accountability and control Develop cultural capacity for the future
O'Connor et al 2007	Public policy	Innovation capability and innovation capacity	Innovative capability: combines resource and transformational assets Innovative capacity: internal potential to enable outcomes	Innovation capacity building Resource assets: Human assets Relational assets Transformative assets: Organizational assets

				Physical assets Monetary assets
Honadle 1981	Public organizations	Organizational capacity and capacity building	Institutionalization of strengths Activity, results and potential Collective definitional characteristics signify capacity	Definitional characteristics Anticipate and influence change Make informed, intelligent decisions about policy Develop programs to implement policy Attract and absorb resources Evaluate current activities to guide future action
Grindle and Hilderbrand 1995	Public sector Developing countries	Public sector capacity, and capacity building	Ability to perform appropriate tasks effectively, efficiently and sustainably	Five interactive dimensions: Action environment Institutional context of the public sector Task network Organizations Human resources
Harrow 2001	Public management	Capacity building in voluntary, community and governmental organizations	Myth: misinterpretation Main chance: funding opportunity Magic: illusory without clarification	Typology of local organizations responses to capacity building: Unfamiliar Unable Incidental Committed
ODPM 2003a	Local government	Capacity building in local government	The right organisation, systems, partnerships, people and processes to deliver against a particular agenda or plan	Six key areas: Finance Systems and processes People Skills Knowledge Behaviour

ORGANIZATIONAL CAPACITY BUILDING

This section examines the literature related to organizational capacity building. In contrast to the private sector literature where the concept of organizational capacity building appears to be largely absent, increasing or building capacity is seen as important for public service policy makers and organizations. The majority of the literature derives from policy reports and academic writing in the field of public policy. Capacity building literature has been related to international and social development, and public sector performance in developing countries (Grindle and Hilderbrand, 1995; Harrow, 2001); localized community-based and voluntary organizations (Harrow, 2001); and performance and reform in governmental policy and service delivery organizations (Honadle, 1981; Newman et al, 2000; Hartley and Rashman, 2007; O'Connor et al, 2007). There appears to be relatively little which is derived from the disciplinary fields of organizational theory or management.

Capacity building in international and social development

Capacity building as an aspect of public policy has its origins in international social and economic development, and its application to voluntary and community organizations. Its relevance for UK public management and improvement is more recent, dating from the 1990's (Harrow, 2001; Tompkins, 1995). Capacity building therefore derives from different perspectives in the academic literature than organizational capacity and it is

predominantly in the public policy literature that the two concepts appear to become related to one another. Within the field of international development, sources include the United Nations Development Programme (UNDP) where capacity building has become central to its goals and interventions related to sustainable development and global environmental protection (UNDP, 2008). The European Social Fund (ESF) promotes capacity building to encourage economic development, social cohesion and the development of a skilled and adaptable workforce in European nations and regions (ESF, 2008). The multi-dimensional nature of capacity building is apparent within such international perspectives, where activities include for example, the enhancement of individual skills, strengthening of institutions, regeneration of local communities and social renewal (Paul, 1995).

Definitions of the concept which have their origins at global and international levels may be applied at a wide variety of levels, as suggested by Ohiorhenuan and Wunker's (1995: 3) definition of capacity building in relation to global environmental protection as:

"…enhancing a society's ability to perform tasks and attain development objectives. In its narrow sense [it] refers to the process of enhancing individual skills or strengthening the competence of a particular organisation or set of organisations. In the broader sense, it refers to the process of nurturing relatively stable patterns of social relations."

This is a very elastic concept covering everything from individual skills to the whole society. The organizational features of capacity building, as defined by Ohiorhenuan and Wunker (1995) first interconnect multiple social, institutional, organizational and individual levels of analysis. Second, they connect multiple levels of structures. Third, they involve processes at different levels, which include enhancement of the achievement of social development goals, organizational competence and individual skills.

Capacity building in this formulation therefore relates to multiple levels within and external to organizations, including national and international perspectives (Figure 2.7). The literature on organizational capacity is focused mainly on levels of analysis within an organization (individuals and groups), and between dyads and networks of organizations. In contrast, the capacity building literature tends to span the widest range of multiple levels, which include national, international and even global levels. However, it is argued that within the global and international literature, little attention is paid to the detail of capacity building of local organizations (Harrow, 2001).

Figure 2.7 Multiple levels of analysis of capacity building

Author and definition	Focus	Process / goals	Levels
Ohiorhenuan and Wunker (1995: 3) *Society's ability to perform tasks and attain development objectives*	Social and economic development	Strategic planning Choice Increase in financial, physical, human resources to achieve development goals	Global, international
Paul (1995: 2) *Human and institutional capabilities* Grindle (1997: 5) *Increasing the efficiency, effectiveness, and responsiveness of government*	Organizational strengthening, institutional reform	Policy and legal change Human resource recruitment and development	National, governmental
ODPM (2003a: 8) *Right organizations, systems, partnerships, people and processes to deliver against a particular agenda or plan*	Capacity building needs of local government	Develop skills, organizational systems and processes Strengthen external partnerships	National, regional and local networks of organizations
Tompkins (1995: 69) *Expansion of the collective's capacity to take effective action* Honadle (1981: 578) *Institutionalizing or embodying strengths in an organization*	Organizational performance	Collective learning	Organization

Capacity building and local, voluntary organizations

The term, capacity building, appears to have been conceived in the context of plans for economic growth in the developing world and applied predominantly to localized voluntary sector organizations. The concept of capacity building has been described as abstract, contested and a myth (Harrow, 2001) due to uncertainties in its theoretical nature and ambiguities in its practical expression. Shifts in significance have occurred, as the concept has been transposed to explain activities and experiences in widely varied contexts. *"Multiple definitions of the term 'capacity building' have arisen from cross-*

fertilization between governmental, practitioner and academic literature." (Harrow, 2001: 210).

Its application to public management theory is therefore problematic because capacity building has a range of possible meanings (Harrow, 2001). The intangibility of capacity building and its widespread appearance within policies encouraging skill development in public or non-profit organizations can lead to definitions, where *"virtually any activity will qualify as a capacity building initiative."* (Harrow, 2001: 210) and this is clearly very problematic.

A range of possible interpretations of capacity building point to the appropriateness, or not, of the architectural metaphor when applied to structures, processes, people and institutional reform (Harrow, 2001). Building implies a coherent structure, in contrast to seemingly disparate and politically driven policies for reform. Within international agencies and social and economic contexts, capacity building has been interpreted as both an activity and an outcome that suggest a degree of permanence that can be inferred from the word "building" (Harrow, 2001). In contrast, other authors place a preferred emphasis on capacity *strengthening*, rather than capacity building, where priority is given to human resource development and the reinforcement of existing structures and systems rather than building new ones (Harrow, 2001). An alternative perspective that examines the *expansion* of capacity,

(Tompkins, 1995) focuses on collective learning to enhance organizational performance within a dynamic environment.

Capacity building within community based organizations, at a local level reflects a “self-build” approach (Harrow, 2001) that coincides with a recent resurgence of interest in community development. Two distinct but inter-related aspects can be identified within the literature relating to local level capacity building: capacity building within organizations; and capacity building within communities.

There are tensions between the deficit and empowerment models of capacity building, where deficit models tend to emphasise externally driven strengthening of existing structures and systems; and empowerment models emphasise self-development, local, community based and participative approaches. Both models have been found in local government. Some local councils categorised by inspectors as “poor” or “weak” were targeted for external “intervention” - a deficit model of capacity-building - but some other local authorities were able to self-correct (Turner and Whiteman, 2005).

These perspectives identify that capacity building is problematic both theoretically and operationally due to its multiple definitions and multi-level nature, often in complex environments. In my work, I will strive to produce a

redefinition that places emphasis on strengthening or expanding capacity, rather than building capacity, as its conceptual starting point.

Capacity building and public services

The academic literature in the field of public services and local government (in the UK, USA and Europe) addresses capacity building as a means of improving government functioning and the performance of local public services through the implementation of policy reform (Harrow, 2001; Rashman and Radnor, 2005; Jas and Skelcher, 2005) including Best Value (Martin 1999), and the Beacon Scheme (Rashman and Hartley, 2002; Hartley and Rashman, 2007). Definitions emphasise the importance of capacity for organizational learning and change, pointing to the creation and expansion of skills and knowledge, progress towards organizational goals, network structures and systems, and strategies for strengthening individual and organizational performance (Harrow, 2001; ODPM, 2003b; Hartley and Rashman, 2007).

A number of authors have pointed to the need for the development of capacity to implement change related to UK government reforms (Rashman and Hartley, 2002; Martin, 1999; Newman et al, 2000; Jas and Skelcher, 2005; Hartley and Rashman, 2007). Martin (1999: 63-64) notes that UK central government signalled its desire to support local authorities in developing

capacity and capabilities but the approach proposed initially suffered from five potentially serious weaknesses:

- lack of overall strategy to integrate different programmes and initiatives
- inadequate level of resources to sustain rapid, substantial change
- lack of sophisticated models of knowledge creation and transfer
- risk of focus on techniques, rather than on “intangible assets” such as organizational culture and leadership skills
- lack of recognition that there is variation between authorities, their political priorities, corporate values and socio-economic contexts.

These critical perspectives on apparent weaknesses in government approaches to reform indicate there is a clear need to examine and test models of organizational capacity building and to provide evidence, given the centrality of the concept of capacity building to current UK government programmes.

The recent emphasis on capacity building for public management can be perceived to be related to improving governmental structures and performance at the institutional and organizational levels. This includes the generation of markets for public services, and strategies for increased efficiency, improved performance, and responsiveness of government (Grindle, 1997). Proposals to build capability and capacity form one of four approaches to public service reform, outlined in a policy discussion paper

(Cabinet Office, 2006). Capability and capacity building are not defined separately but are interpreted as including: leadership; workforce development skills and reform; organizational development and collaboration. Examples of relevant activities include acquiring new skills in procurement, and engaging in networks to share best practice (Cabinet Office, 2006: 24).

However, within this context there are a number of tensions and risks (Harrow, 2001). Capacity building has an explicitly political dimension in government and public organizations, which are inherently contested resulting from their contestation of public purposes (Hoggett, 2006); elected leadership; negotiation-based governance (Christensen et al, 2007); and tensions between the needs of citizens, officers and political leadership in a community, region or at national level (Honadle, 1981).

The UK Capacity Building Programme, an initiative launched in 2003 to build capacity and support improvement in local government, aims to: *"enhance and develop councils' confidence, leadership and skills to advance improvement as well as developing their capacity to learn, innovate and share knowledge and expertise about what works and how"* (ODPM 2005a: 3). This explanation of capacity building focuses on the organization-level of sharing and creating tacit knowledge and skills as a means to improve performance. It theorizes a relationship between organizational capacity, learning and

performance but in common with much of the academic literature on capacity building in public services, it lacks empirical evidence.

Research into the needs of local government for a programme of capacity building identified clear relationships between the development of individual skills, organizational capacity building, and their effects on inter-organizational and institutional capacity building (ODPM, 2003a: 10). These relationships are perceived to be reciprocal: *"While organisational capacity building will have an effect on inter-organisational capacity and performance, the way in which these external arrangements are structured is likely to affect the development of organisational capacity"* (ODPM, 2003a: 10). The recursive nature of organizational capacity is implied in this reciprocal relationship but this conceptualization is not substantiated. Here, organizational capacity building is used as a 'handy', general purpose construct (Harrow, 2001), lacking in empirical evidence.

A further concern within the context of public services, is the need to consider which organizations' capacity will not be built or cannot be extended, or, using the architectural metaphor, may even be *"torn down or redeveloped"* (Harrow, 2001: 223). The association between programmes of capacity building and competitive bidding for funding under specific programmes, creates tensions between those organizations or localities that may have their capacity "built" and others that do not (Harrow, 2001).

Turning to a study of performance decline and potential “turnaround” in poorly performing local authorities, insufficient capacity was found to have serious consequences for organizational ability to function and to implement required changes (Turner and Whiteman, 2005). Unlike private organizations, public and governmental organizations are not permitted to persistently fail and so increasing intervention may be required to “rebuild” a poorly performing public service. Capacity to achieve performance turnaround depends on the alignment of senior management with political commitment to lead improvement, and the skills and capabilities of these key actors (Turner and Whiteman, 2005: 650).

Summary

To summarize the debates on organizational capacity building, first, alternative conceptualizations include capacity strengthening and expansion. Second, capacity building has multiple levels and the capacity building literature tends to span the widest range of multiple levels, which include national, international and even global levels, but with less emphasis on local organizations. Third, the application of capacity building to public management theory is problematic because of the range of possible meanings and potential scepticism by stakeholders about its intended outcomes. Fourth, a number of authors have pointed to the development of capacity to implement change related to UK government reforms, where there

are tensions and risks related to an explicitly political dimension and the association between programmes of capacity building and funding regimes.

MEASURES OF CAPACITY AND CAPACITY BUILDING

In this section we bring together the two conceptual approaches, capacity and capacity building, to examine first how conceptualizations have been implemented to create measures of capacity; and second to examine the results of empirical research into organizational capacity.

I take a particular interest here in measures because a clear research gap is that there are very few empirical studies into organizational capacity and capacity building, and overall there is a lack of a clear definition and measures. Five approaches to measures of organizational capacity are described, of which four provide examples of empirical research. Each of the approaches has a different conceptualization, focus, context, method, set of variables and results. An overview of the five approaches is presented in Figure 2.8.

Reviews of the literature on capacity building (Honadle, 1981; Harrow, 2001) identify the differences in theoretical approaches and the variety of conceptualizations of both “capacity” and “capacity building.” Amongst the difficulties of overlapping and ambiguous definitions, the problem arises of

measurement of capacity and measurement of "building" or expanding capacity.

Measures, where they have been developed, depend upon the particular theoretical conceptualization of capacity, which may specify either processes, outcomes, organizational potential, or more complex frameworks. Honadle (1981) argues that a general framework describing capacity can help to avoid the *"conceptual shortcomings of capacity building"* and can be used as an analytical tool but that in contrast, determining standards to monitor activities, and measures of outcomes is more problematic: *"One very important problem in capacity building is determining what should constitute minimal acceptable organizational standards or benchmarks…there are numerous ways of setting organizational requirements for capacity building to achieve "* (Honadle, 1981, 579).

Figure 2.8 Summary of selected empirical research: Capacity and capacity building

Authors and date of study	Study and population	Framework / variables	Key results
Tompkins 1995	Not applicable	Proxy measures of expansion of capacity = preferred outcomes of collective learning.	Not applicable
Cohen and Levinthal 1990	Survey of 1,719 R&D units in US manufacturing firms	Dependent variable: R&D expenditure. Independent variables: technological knowledge from external source; six learning mechanisms.	Targeted knowledge from external sources is effective when aligned with firms needs. Prior related knowledge and internal mechanisms are important antecedents.
Grindle and Hilderbrand 1995	Case studies in six developing countries	Framework of five dimensions and five levels of analysis.	Constraints are inter-related. Effective public service performance driven by strong cultures, good management practice and effective communication networks.
O'Connor et al 2007	Evaluative case studies in four organizations and one Australian government department	Framework of human assets, relational assets and organizational assets. Early stage and late stage of innovative capacity.	Cultural "build up" is an important early stage. Sustained leadership and distributed skills important for long term capacity. Inconsistent capacity across organization.
Newman et al 2000	National survey of 120 UK local authorities. 12 case studies of local authorities. Change capacity survey.	Four dimensions of local authority change capacity. Five areas of innovation.	External drivers of innovation include policy reform, networks and partnerships. Internal drivers of innovation include culture, pro-active leadership, staff profile.

Measures of collective learning and capacity

The first framework of measures of capacity and expansion of capacity is related to organizational learning and knowledge (Tompkins, 1995). Tompkins (1995) argues first that there are observable behaviours when knowledge is diffused from the individual to the collective level (e.g. standardization of vision when diffusion has occurred, compared with independent vision); second, variables of collective learning can be measured on a continuum (e.g.

the range of speed of decision making may be slow to fast); and third, the existence or non-existence of preferred outcomes can indicate both increased learning and enhanced performance (Tompkins, 1995: 79). *"Examining the preferred outcomes of collective learning is another way to evaluate whether or not expansion of capacity has taken place. Preferred outcomes means the results that are connected to enhanced performance."*

Examples of potential preferred outcomes include speed of decision making; collective responsibility for future organizational improvement; and increased coordination of action among organizational members (Tompkins, 1995).

There are a number of notable features of Tompkins' (1995) approach to measures of performance that indicate organizational capacity. First, the expansion of capacity is related to dynamic processes of collective learning. Diffusion of learning is argued to move through sequential and cyclical stages. Second, at each stage a critical mass of specific influences must be achieved to strengthen organizational learning, to avoid failure and to advance to the next stage. Third, the *preferred* (italics added) outcomes of collective learning are used as proxy measures of expansion of capacity. These preferences indicate the preferred direction of improved organizational performance and can be placed on a scale of measurement. Fourth, the relationship between collective learning and performance is explained by the *"expansion of capacity*

to take effective action." (Tompkins, 1995: 77). This has two key elements: the expansion of capacity and its influence on action.

The main limitations of this framework include the difficulty of measurement of collective learning, and the challenges of operationalizing the concepts. The set of criteria and measures have not been tested through empirical research. There is a need for longitudinal studies to examine the relationship between learning processes at different levels and expansion of capacity over time.

Measures of absorptive capacity

Second, research into absorptive capacity by Cohen and Levinthal (1990) was intended to test predictions that firms invest in R&D to generate new knowledge and to contribute to their absorptive capacity. The model predicted that two sets of factors affect incentives to invest in R&D. One set of factors relates to an increase in external technical knowledge; and the second set of factors relates to the ease of learning new knowledge. The research was based on survey data on technical opportunities and conditions for learning in 1,719 business units in the USA manufacturing sector.

Measures included: the relevance of eleven fields of science and five external sources of technical knowledge to technological progress as seen by R&D managers; and the effectiveness of six internal mechanisms to capture and protect competitive advantage. Research and development (R&D) spend was

used as an explanatory proxy for a firm's willingness to invest in absorptive capacity. The results of the research identified that first, prior related knowledge and second, internal mechanisms enable exploitation of new knowledge (Cohen and Levinthal, 1990).

The research into absorptive capacity has helped to establish its importance and potential usefulness as a construct that relates absorptive capacity to organizational performance and outcomes. In addition, both the definition and empirical research indicate that it is a multi-level concept. The primary focus is at the organization level but acquisition of external knowledge points to the inter-organizational and multilevel nature of absorptive capacity.

The main limitation of the definition and measures is their restricted applicability to other sectors. Research and development (R&D) spend, used as an explanatory proxy for a firm's willingness to invest in absorptive capacity has limitations (Lane and Lubatkin, 1998; Van den Bosch et al, 2005; Lane et al, 2006). It is not a suitable proxy measure for organizations that lack an R&D function, and this includes parts of the private sector and almost all parts of the public and voluntary sectors. Lane et al (2006: 858) propose future research refocuses on *"commercial outputs (products, services and patents) and knowledge outputs (general, scientific, technical and organizational)"* which impact on "firm" performance.

Measures of multi-level capacity

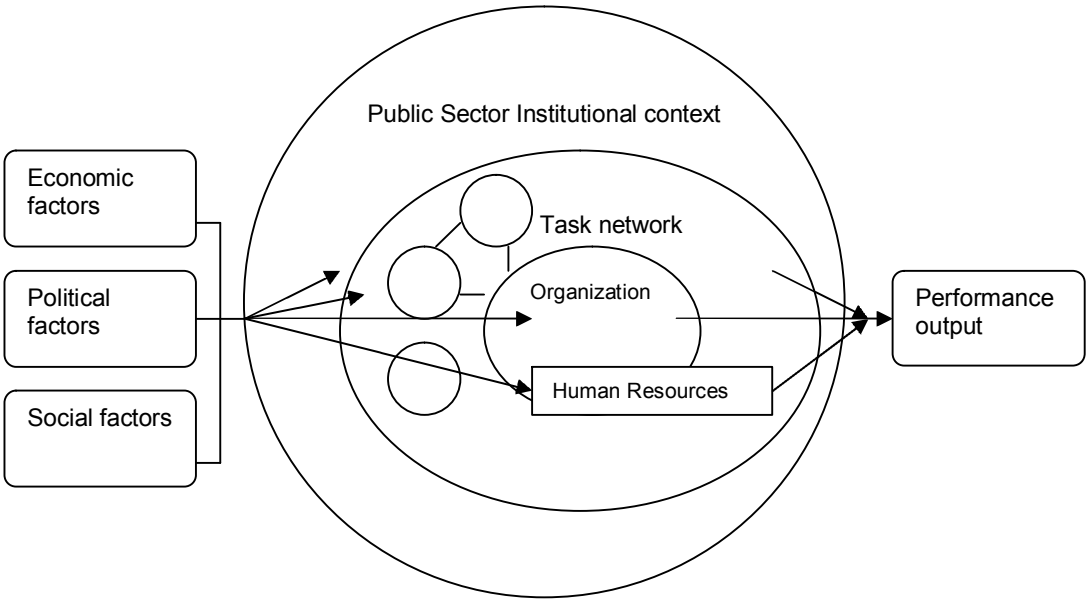
Multiple levels of capacity and multiple levels of analysis feature in the third conceptualization and study of capacity building (Grindle and Hilderbrand, 1995). The institutional context is one important element of capacity and capacity building in public organizations, whose organizational performance is embedded within and constrained by economic, political, and policy factors. Public service organizations are likely to operate within a network of organizations and stakeholders, in order to co-design and co-produce specific services.

A comprehensive model that incorporates five interactive and interconnected dimensions of capacity, and its external and internal environment, is developed by Grindle and Hilderbrand (1995: 445-7). The five dimensions are:

- the action environment (economic, political and social);
- the institutional context of the public sector (rules, procedures, policies);
- the task network (set of organizations performing a specific task);
- organizations (building blocks of task networks);
- human resources (utilization and management of talent).

A simplified version of the model is shown below (Figure 2.9).

Figure 2.9 Dimensions of capacity, adapted from Grindle and Hilderbrand (1995: 446)



The framework of five dimensions and five levels of analysis was applied to 29 organizational case studies in six developing countries, using case study interviews, documentary research and organizational mapping. The analytical framework was applied to identify capacity gaps and to design intervention strategies. The results of the research indicate that constraints on capacity building in developing countries are inter-related, combining features of all five dimensions of the external public sector institutional context and internal organization. Strong cultures and good management practices were identified as antecedents more likely to lead to effective performance in public organizations than rules and procedures. Shared norms, teamwork and "meaningful" work were variables found to be more likely to positively influence individual performance than training in specific skills.

The conceptualizations of capacity and capacity building that are presented within this research provide a wide-ranging approach to the complex interaction of numerous factors. The framework is helpful in explaining the dynamic inter-relationships between individuals, organizations and the broader contexts within which they operate. These institutional factors are reflected in the research results, placing emphasis on shared perceptions, meanings, culture and work practices rather than individual skills, as explanatory variables of capacity and performance at the individual and organizational levels. The study provides some insights into how each of the five dimensions may be operationalized but these are not described or explained in detail. There is thus a need to provide clearer operational definitions of the wide range of variables that can be constructed through application of this model.

Measures of innovative and change capacity

Two studies examine innovative organizational capacity. O'Connor et al (2007) conduct research into innovative capacity in public policy organizations. A conceptual framework first distinguishes human assets, relational assets, and organizational assets. Second, a distinction is drawn between early and late stages of innovative capacity. It is proposed in early stages that: there are few skills in innovation; there are under-developed internal and external relationships; the organizational culture, physical and financial assets do not contribute to innovation. In contrast, the

conceptualization of late stages incorporates high levels of innovation skills; collaboration; a well established culture, equipment and infrastructure for innovation.

The research results from four initial case studies and one focused case study of an Australian public policy organization suggest that: cultural “build up” is an important antecedent of building innovative capacity; leadership of innovation is mediated by the distribution of innovation skills; and innovative awareness and capacity may be inconsistently distributed across the organization. The systems approach to innovation evident in a number of studies needs to be related to organizational form and strategies for engagement of stakeholders, appropriate to public sector organizations (O’Connor et al, 2007). However, the sample size for this research was very small, and the authors acknowledge possible bias towards those interested in innovation within the sample.

The fifth study of organizational capacity is focused on innovation and change in UK local government. Four comprehensive dimensions of change capacity are used by Newman et al (2000) to gather and analyse empirical data on managers’ perceptions of local authority change capacity (Figure 2.10). The four dimensions are: capacity to adapt to external forces; capacity to deliver business results; capacity to ensure accountability and control; and developing cultural capacity for the future (Newman et al, 2000). Two survey

instruments are developed: a survey of innovation and best practice in local government; and a change capacity questionnaire. These survey instruments provide a useful methodological approach, examples of operationalization of the constructs and measures of organizational change capacity.

Figure 2.10 Dimensions of a local authority's change capacity. Source Newman et al (2000: 69)

Dimensions of a local authority's change capacity

Capacity to adapt to external forces

Networks: effectiveness of networks and partnerships as triggers for change

Responsiveness: responsiveness to users, citizens and communities

Capacity to deliver business results

Business processes: extent of innovation in business processes, e.g. through reengineering, partnership arrangements etc

Management processes: effectiveness of strategic processes, service planning, delegation

Capacity to ensure accountability and control

Performance and evaluation: use of management information systems, outcome focused budgeting and planning; effective processes of evaluation and performance review

Probity and accountability: standards, controls, scrutiny and clarity of accountabilities, risk management

Developing cultural capacity for the future

Internal synergy: cross departmental working, consensual culture, learning across team and departmental boundaries, effective corporate focus at Directorate/Board level

Human Resource processes; recruitment practices geared to future needs, participative decision making, development of future leaders, leadership style which builds commitment and trust.

The research included mixed methods: a national survey of 120 local authorities on innovative capacity, 12 in-depth case studies and a change capacity questionnaire of 50 members of staff in selected case studies (Newman et al, 2000: 113). The research results were wide ranging and identified patterns of innovation, internal and external drivers of innovation in local government. Internal drivers include culture, pro-active leadership, and staff profile. External drivers of innovation include policy reform, networks and partnerships. This research study provided a wide-ranging research strategy, a detailed description of research methods, questions and assessment of confidence in the research findings. However its primary focus was on innovation and best practice rather than on capacity and the research was conducted prior to the introduction of central government policy measures for capacity building in local government.

Summary

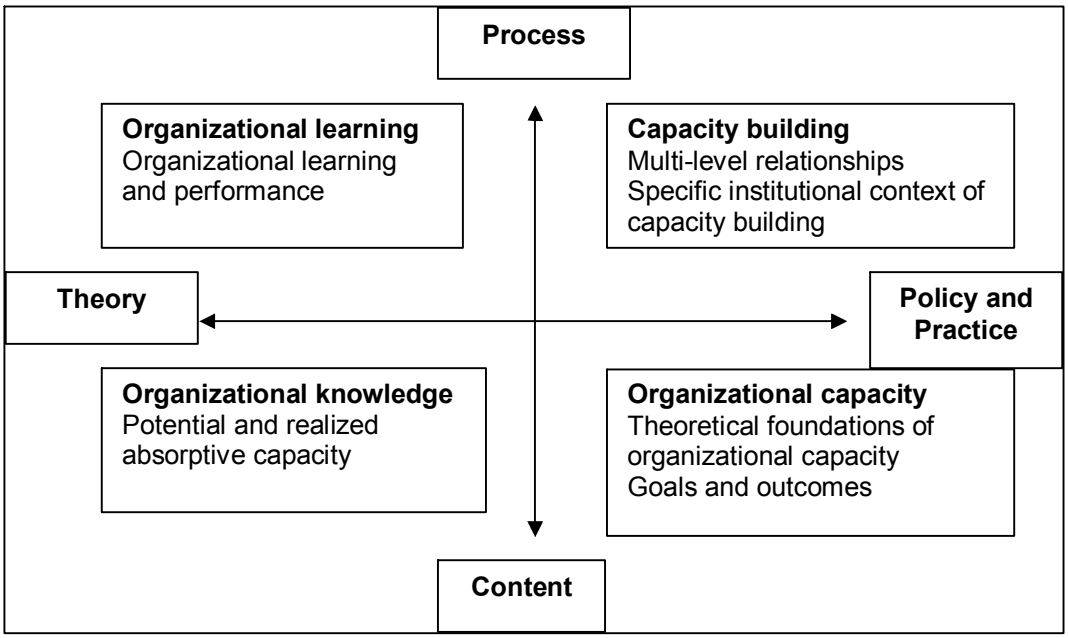
To summarize this section on measures of capacity and capacity building, there is a scarcity of research evidence and of operationalized measures on organizational capacity. This review identifies research studies that have different underlying conceptualizations of organizational capacity. There is a need for research which takes into account environmental and institutional characteristics of the public sector and measures that are appropriate for a range of contexts. Studies suggest that organizational capacity has a temporal dimension and therefore longitudinal research is valuable to assess

changes in capacity over time. There is a need for development of theory and research which explains the relationship of organizational capacity building to organizational learning and to performance improvement.

CONCLUSIONS AND SUMMARY OF KEY DEBATES

The conclusion of the literature review begins with a summary of the key debates related to organizational capacity and capacity building. The review returns to the mapping of key topics introduced in Figure 2.2, to provide a visual overview of the key debates, as they relate to each of the four cells of the thematic map. The key debates are discussed in relation to each of the four cells of the map in turn, beginning with organizational capacity (Figure 2.11).

Figure 2.11. A mapping of key debates within the literature review.



The first issue arising from the review is that the concept of organizational capacity is relatively under-theorized. There is no consensus on a definition of organizational capacity and partial definitions draw from a range of disciplines and perspectives. Definitions (both theoretical and operational) are needed that help to explain its relationship to organizational learning capacity. The majority of the frameworks incorporate a combination of internal organizational antecedents and components, organizational variables, knowledge-related processes and relationships, and drivers in the external context. Definitions of organizational capacity have been developed primarily in the context of competitive, commercial environments, so there is a need for conceptualizations and research which take into account different environmental influences and characteristics of the public service sector.

Organizational capacity can be distinguished conceptually from capacity building. Definitions are needed that help to explain the relationship between conceptions of organizational capacity and organizational capacity building. The debates related to definitions of capacity building indicate that the concept derives from different perspectives in the academic literature than organizational capacity and it is predominantly in the public policy literature that the two concepts appear to become related to one another.

The second issue relates to the antecedents, goals, outcomes and outputs of organizational capacity. Organizational goals and outcomes derive from their

institutional, sectoral and functional purpose. Competition for knowledge and capacity to achieve strategic advantage is a key goal for private organizations. In contrast, the goals of public organizations are focused on governance, policy making and the creation of public value. Amongst the problematics for public and governmental organizations is managing conflict between organizational goals and national policy direction. Tensions within environmental, political and policy challenges lead to confusion between competing goals and priorities.

The purpose of capacity in public organizations overlaps with drivers for knowledge and innovation in private companies. In addition, distinctive triggers and drivers for public organizational capacity include government policy, competition for government funding, the needs of local citizens and partner organizations, and the aim to create public value. Different types of capacity appear to contribute to different organizational goals, and these types of capacity may be seen as overlapping concepts with overall organizational capacity: innovative capacity; absorptive capacity for knowledge exploration and exploitation; evaluative capacity; and learning capacity. Surprisingly there is limited empirical evidence for some of the inter-relationships between these constructs.

Approaches to organizational capacity identify examples of possible outputs, including collective knowledge and skills (Tompkins, 1995); performance

outputs (Grindle and Hilderbrand, 1995); and outcomes, including local representation and accountability (Fredericksen and London, 2000). These examples of outputs and outcomes may indicate specific goals of capacity and suggest a possible relationship between organizational capacity and building or increasing capacity. A further confusion arises from systems models that indicate that organizational capacity can be explained as both a process and an outcome.

In the second cell of the theoretical map (Figure 2.11), organizational knowledge, there is some debate regarding absorptive capacity. Absorptive capacity due to its cumulative and integrative nature, may contribute to important organizational outcomes, such as innovative capabilities, performance and expectation formation. The concept is of particular importance in explaining associations between organizational knowledge and organizational capacity and organizational performance, but the concept has not been defined appropriately to be applied to public organizations. A redefinition is proposed that would be suitable for all types of organization.

The distinction between potential and realized absorptive capacity (Zahra and George, 2002) indicates that there are sequential stages through which knowledge acquired may or may not be exploited for increased organizational performance. The notion of sequencing, phases, cycles and progress over time are aspects of capacity and increasing capacity developed by a number

of authors (Tompkins, 1995; Van den Bosch et al, 2005; O'Connor et al, 2007) but lacking in empirical research. Potential and realized absorptive capacity are amongst conceptualizations in need of testing through empirical research and in particular in need of longitudinal research that can assess changes over time between potential and realized capacity.

The third cell relates to organizational learning. The third area that would benefit from clarification is the relationship between organizational learning and performance, which is uncertain and lacking in empirical evidence, and by extension there is little evidence of the relationship between organizational capacity and performance. There is a need for empirical research that first helps to develop understanding of which capacity factors lead to performance changes in an organization and amongst populations of organizations; and second develops methods of measuring learning processes, learning outcomes and their impact on organizational performance.

In the fourth cell, there are a number of debates surrounding capacity building. There is so diverse a range of definitions of capacity building that the term risks a lack of specificity of meaning or mistaken interpretation. Its adoption in policy and practitioner circles and its combination with measures for policy reform signal its "handy" nature as a "shorthand term" that could be perceived as predominantly rhetorical (Harrow, 2001). There is a need to

explore whether the concept can be rescued and given theoretical and empirical life and utility.

Definitions and operationalizations of capacity building derive to a large extent from their institutional contexts but there are overlaps and confusion between these interpretations. The review has found that, as with differences in their definitions, operationalization of organizational capacity is distinct from operationalization of capacity building. A number of authors have examined antecedents and outcomes of capacity (Cohen and Levinthal, 1990; Zahra and George, 2002), sequential or systems (Tompkins, 1995; O'Connor et al, 2007) approaches to capacity. These operationalizations indicate confusion between frameworks that are intended to address capacity and others that explicitly examine capacity building. A number of authors explain how capacity is built, expanded or may be developed through specific activities (Finger and Brand, 1999; Sanderson, 2001; Newman et al, 2000) but the term capacity building is used only in relation to a small number of public sector studies which relate to public policy and its implementation (Honadle, 1981; Grindle and Hilderbrand, 1995; ODPM, 2003a; O'Connor et al, 2007).

Capacity building is a multi-level concept that, depending on its definition and context, may be operationalized at every level from the global to the individual. Pettigrew's (1990: 270) assertion that organizational structures and processes are inseparable from their contexts is of particular relevance

here because it emphasises the dynamic, adaptive interaction between the organization and its global, social and institutional environment. There is a need to explain how capacity building occurs and the nature of the inter-active relationships between multiple levels (or units of analysis), multiple structures, and processes at different levels. Capacity building relates to multiple social, institutional, organizational and individual levels of contexts. It involves processes at different levels, which include enhancement of the achievement of social development goals, organizational competence and individual skills.

A further debate in relation to operationalization, is that a number of authors have defined specific dimensions, characteristics and key areas of capacity and capacity building. However, many conceptualizations lack empirical evidence or provide limited empirical evidence that organizational activities have increased these capacity dimensions, have led to enhanced performance and in the case of public organizations, have led to improved services. Very few studies have been undertaken of organizational capacity. There appear to be limitations in the design used in a number of studies. Some case studies are of a single organization, or type of organization, and some measures are not applicable to public organizations, which raises questions about their generalizability across all sectors. Further exploration of how capacity is increased within an organization and the extent to which increased capacity may or may not lead to improved performance are amongst areas where this research may make a contribution to knowledge.

To summarize, the literature review has identified that there is no definitive conceptualization of either organizational capacity or of capacity building. The research undertaken within this literature review began by suggesting that organizational capacity is conceptualized as the content (e.g., structures, systems, culture) that the organization possesses and capacity building is the process whereby it acquires capacity. The evidence from the review endorses the distinction between the two concepts, and some overlaps between the two. Specific features of the institutional, ideological and organizational context influence capacity and capacity building. The definitions, purpose, processes and outcomes of capacity and capacity building are therefore dependent on and inseparable from their specific context.

CHAPTER THREE: CAPACITY IN UK LOCAL PUBLIC SERVICES

INTRODUCTION

In this chapter I describe the context of the study undertaken in this thesis: UK local public service organizations. The chapter aims to situate the research study in its institutional, organizational and temporal context of public policy reform, as a prerequisite to research design and later interpretation of the research results. First, I examine the context of public organizations, as one particular institutional setting for organizational change. Second, the chapter turns to those policy measures directed at the reform of local public organizations to explore the relationship of reform to organizational change, learning and capacity. Third, the discussion focuses on one policy measure which is an exemplar of capacity building, and learning in local government: the Beacon Scheme.

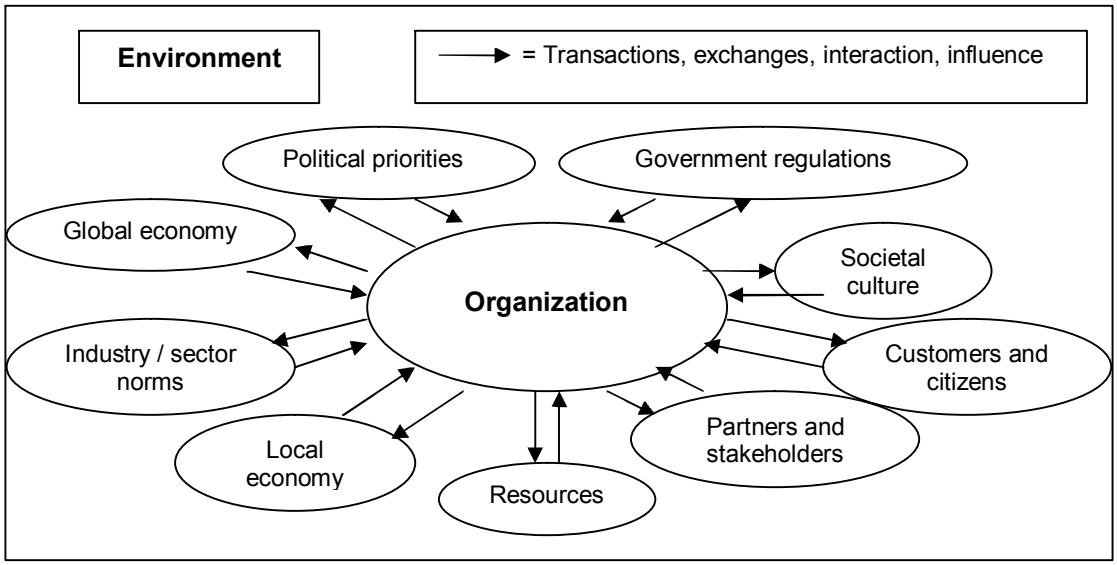
THE INSTITUTIONAL ENVIRONMENT OF LOCAL PUBLIC ORGANIZATIONS

Most studies of organizations are context-blind. Even where they state the importance of context, it is often treated perfunctorily, downplayed (Johns, 2001) and rendered invisible (Rousseau and Fried, 2001). Discussion of contextual characteristics is important for interpreting and comparing research results: *"finding evidence of commonalities and differences enhances both the generalizability of new research and gives an appreciation of its limits"*

(Rousseau and Fried, 2001: 7). Porter and McLaughlin (2006: 574) argue that there has been a relative lack of attention to how the organizational context affects dynamic aspects of organizational relationships. Those authors found in their review of the context of leadership that even amongst empirical articles that *"had a moderate/strong emphasis on the organizational context, it was infrequent to find an article that encompassed more than one organizational context variable, and still rarer to find a study that examined interaction effects among these variables."*

Institutional theory and contextual perspectives can be used to analyse and understand complex change in public organizations (Hartley et al, 2002). Environmental and institutional perspectives, developed from open systems theory, emphasize the interrelationship of transactions between the internal operation of an organization and the influences from outside its organizational boundaries. A wide variety of external environmental and institutional forces shape, support and constrain organizational systems (Jaffe, 2001; Scott, 2008). Figure 3.1 is my own compilation of the key factors which illustrates the relationship between the organization and some different environmental forces that may penetrate and exert influence upon it.

Figure 3.1 The organization and the environment (adapted from Jaffe, 2001: 209)



The preceding literature review suggests that the external environment and particular organizational characteristics are important influences on organizational knowledge and capacity. Organizational knowledge creation and capacity are subject to institutional pressures, operating at multiple levels (Newman et al, 2000; Osborne and Flynn, 1997; Paul, 1995; Grindle and Hilderbrand, 1995). Constraints on organizational knowledge acquisition and capacity building in public organizations are inter-related, and they consist of features of the external public sector institutional context and the internal organization.

An analysis of organizations that draws on institutional conceptions challenges the characterization of organizations as rational and formal systems that exist solely to produce goods and services. By contrast, human,

social, cultural and cognitive elements are emphasized: *"viewing organizations as institutions means that organizations have a history, a culture, a set of values, traditions, habits, routines, and interests"* (Jaffe, 2001: 227).

Institutions may be understood as social structures that comprise regulative, normative and cultural-cognitive features that guide behaviour and endure across space and time (Scott, 2008: 48). A focus on the local institutional environment in a local governance context highlights the underlying sets of rules and customs which determine power relations, and shape political, professional, and managerial behaviour (Lowndes, 1999).

Cultural-cognitive elements give rise to common conceptions and interpretations of meanings in a given institutional setting amongst social actors, who share a particular local "organisational biography" (Lowndes, 1999: 30). Each individual local authority gradually evolves locally institutionalised norms, values and culture that derive from shared meanings about "objective" aspects of its context, such as its geography and demography, and "subjective" elements, including historical political traditions (Lowndes, 1999: 30). The outcome of institutionalisation is a *"multiplicity of public organizations"* (Christensen et al, 2007: 54), in which each organization acquires distinctive patterns of values, rules and culture.

Knowledge-sharing in this institutional context is a cognitive organizational activity which is socially and institutionally structured. Cultural and cognitive factors contribute to sense making (Weick, 1995) and organizational learning, which may be of particular importance during times of uncertainty and change, such as adaptation to programmes of public service reform (Hartley et al, 2002).

Public organizations are characterized by two crucial contextual factors which differentiate them from private organizations: they are *"subordinated to a politically elected leadership and… they are multifunctional"* (Christensen et al, 2007: 179). They are subject to contextual considerations including democratic values, aimed at citizen participation and accountability, and the goal of producing public value. Unlike private organizations they do not operate freely within a competitive market but must collaborate with other organizations, groups and individuals to co-produce services. These elements are explored in more detail below.

Local government serves a dual function in UK political systems. First, it serves as one of only two current levels of democracy in the English political system, the other level being central government. Local councillors are elected in their own right and are given authority through the electoral system, to make and enforce decisions on behalf of the public. Second, local government provides and co-ordinates public services, in an effective and

efficient manner, appropriate to its locality. Local government is subject to legal constraints, which enforce the duty to comply with regulation; and central government intervention, leading to a mutual dependency between central and local government.

Amongst public service organizations, local government is of a substantial scale in the UK: there are 410 local councils in England and Wales, which spend over £70 billion per year and local government employs over two million people (LGA, 2008). Local government delivers core functions and services, such as social care, and is tasked with complex functions which can most effectively be performed at local level, including leadership of local communities, promoting economic growth, shaping neighbourhoods, and bringing public services together (CLG, 2006a).

Local government has undergone numerous territorial and functional reorganizations, notably in 1972, 1984-87, 1995-96, and currently, but its function, governance and mode of operation have changed most significantly in the last two decades (Budge et al, 2007) when it has been subjected to continuous reform.

In the next section, the chapter examines the current government's approach to local government reform and improvement.

THE REFORM OF UK LOCAL PUBLIC SERVICES

Approaches to the reform of UK local government have been characterized by different conceptions of public services by successive governments. These conceptualizations are expressed differently in terms of: policy goals; strategy; governance arrangements; the roles of policy-makers, service managers and recipients. Benington and Hartley (2001) identify three approaches to governance and public management which are sequential historically though also co-existing, and each of which has a particular underlying ideology: "traditional" public administration; "new" public management; and networked governance (Hartley, 2005: 29).

First, the "traditional approach to public administration", related to the period between the late 1940's and 1980's, when top-down, universal reform and standardized services were delivered through a bureaucratic hierarchy of public servants (Hartley, 2005; Benington and Hartley, 2001). The context of change and improvement was perceived to be relatively stable, and substantial policy innovation, initiated predominantly by the state, was implemented by professionals, allowing little opportunity for local adaptation or the contribution of clients (Hartley, 2005).

In contrast, second, the principles of new public management (NPM) introduced in the 1980's argued against the traditional centralized bureaucratic model. NPM advocated improved efficiency through exposure of

public services to strategies derived from the private sector: competitive pressures, smaller organizational units, and increased customer focus. Consumerism became one of the dominant themes of the market model of public services (Newman, 2001). Policy making was non-consultative, mandatory and prescriptive. The statutory framework of Compulsory Competitive Tendering (CCT) obliged local authorities to organize competition with private contractors for a range of services, including refuse collection, computer maintenance and financial services.

However, some critics argued that CCT led to the internal fragmentation of councils' service delivery mechanisms (Martin, 1999); abolition of many of the largest local authority organizations, as it was argued that smaller units would perform better (Boyne, 1996); and *"zero-sum relationships between the councils and contractors and not the positive, trust-based relationships hoped for"* (Rashman and Radnor, 2005).

Third, networked governance is one of the characteristics of the current "modernization" of UK public services. Policy and governance networks are proposed as broader mechanisms of organizational collaboration, control and resource exchange, between tiers of government and between partner agencies. Local authorities are expected to play a formal, co-ordinating role in governance networks, bringing together service providers and users to achieve shared policy goals and create public value. The reformed role of

government organizations is intended to shift the focus of public services from providers to the users of services; and increase the quality and efficiency of public services (Cabinet Office, 1999). Local networked governance is intended to *"steer action within complex social systems rather than control solely through hierarchy or market mechanisms"* (Hartley, 2005: 30).

The public service reform agenda and local government: modernization

"Councils have a clear local democratic leadership role as the only body elected by and accountable to the whole community…There is leadership in decision-making and the accountability for what is delivered by the council. There is a role in leading local partnerships and bringing stakeholders together to help meet local needs and priorities…And there is a leadership role in enabling communities to lead themselves" (ODPM, 2004: 11).

The current UK model of modernization extends, accelerates and differs from previous policies of Conservative governments. The 1997 Labour Government contended that the paternalistic view taken by local councils had failed to take sufficient account of citizens' needs and their inward-looking culture had failed to build effective relationships with local partners (DTLR, 1998). Traditional decision-making structures construed by central government as *"inefficient and opaque"* (DTLR, 1998: 25) had led to low voter turnout and a perceived lack of local accountability. Reform was intended to drive democratic renewal, public participation, and local autonomy, including

institutionalisation of local, social and economic relationships, as elements of integration of effective governance and local democracy, as well as improve the quality of public services themselves.

Policies and initiatives placed emphasis on change but the Labour Government's approach to modernization in practice tended to be concerned with both continuity and change, and was not separate from but superimposed upon previous policies of NPM (Newman, 2001). The Labour Government continued to promote features of the previous Conservative Government derived from private sector competition, including the market-centred challenge and the idea of consumer choice. Imperatives for change combined global phenomena, international developments and technological advances (Newman, 2001; Varney, 2006).

Networked governance is a characteristic feature of the current phase of public service reform. On the one hand, self-organizing, inter-organizational networks and partnerships present distinct advantages as co-ordinating mechanisms, as a means to engage stakeholder participation, 'join up' agencies at local level (Leach et al, 2005), and encourage professionals to share their expertise to develop local services to meet local citizens' needs (Rhodes, 2000).

By contrast, the operational difficulties and risks of networked governance include: overload and duplication; the differential impact of local contexts (Leach et al, 2005); and a shift in accountability that depends on trust, rather than authority (Rhodes, 2000). The transition to more complex forms of governance, and leadership of localities through networks and influence, signals the need to acquire knowledge and capacity: *"In short, the networking skills increasingly required to manage service delivery will also be at a premium in managing the intergovernmental relations of devolved Britain"* (Rhodes, 2000: 357).

Different components of the reform agenda appeared to be in tension with each other, for example marketisation and partnerships, and central government criticisms of local public services tended to ignore past achievements, and the difficulties presented by recurrent central intervention. Approaches to reform appeared to neglect an understanding of the difficulties of implementing organizational change in practice (Hartley, 2002; Lowndes, 1999), and the mediation of contextual pressures for change by individual, locally-specific institutions, such as local councils (Lowndes, 1999).

Policy emphasis on performance measures and outcomes

Policy initiatives for public service reform have emphasised performance measures and outcomes, and by contrast have neglected aspects of

organizational culture, knowledge and capacity (Benington, 2000; Rashman and Radnor, 2005).

The predominant approach to modernization of local public services is associated with prescriptive strategies to improve organizational performance. Policy rhetoric emphasised the integration of services through networks and partnerships but policy mechanisms were concerned with performance measures, outcomes, and accountability.

Three major policy initiatives were intended to *"transform the policy and politics of local authorities"* (Martin, 2005: 531): the Best Value regime of inspection, economy and efficiency; initiatives associated with targets agreed between central departments and local government, including Local Public Service Agreements (LPSA); and initiatives to increase local authorities' capacity to improve performance (Martin, 2005).

The Best Value review framework and Comprehensive Performance Assessment (CPA) classifications of council performance were reported to have led to rapid, significant improvements in assessments of council performance, to the extent that in 2006, 84% of local authorities were judged to be providing 3 or 4 star services, compared with 52% in 2005 (Audit Commission, 2007).

However, research into Audit Commission inspection in local government identified concerns about the limitations of the inspection process as a driver of improvement, an over-reliance on inspection models that could not be adapted to local circumstances, and inadequacies in understanding improvement processes: *"Too little is really known about how improvement is actually achieved and sustained, and how drivers of improvement vary in different circumstances"* (Davis et al, 2004: 42). The success of CPA depends on new models of collaborative service delivery, which in turn require new forms of knowledge creation, evaluation and learning (Boyne and Enticott, 2004; Rashman and Radnor, 2005).

Researchers have drawn attention to uncertainty in the relationship between improvement in public services and top down performance management and inspection: *"we have been disappointed to find little evidence of service improvements resulting directly from inspection in the authorities where we have shadowed inspections"* (Davis et al, 2004: 46). This raises questions about: first the implicit relationship between LGMA policies and the underlying model of learning and change that can lead to reform and improvement (Hartley et al, 2002; Rashman and Radnor, 2005); and second the institutional conditions that influence the acquisition of relevant knowledge, learning and capacity, in order to create and sustain change.

In contrast to Best Value and performance measures, some initiatives focused directly on increased learning and capacity to improve. The Improvement and Development Agency (IDeA) was established in 1999, to provide support to local government to adopt new approaches in response to central government reform. IDeA initiatives aim to build councils' capacity, provide peer support and to improve the skills of councillors and council staff (DTLR, 2001). *"IDeA was created by local government to stimulate and support self-sustaining improvement and development within local government"* (Cabinet Office, 2006: 83).

The IDeA together with the Local Government Association (LGA) initiated the Local Government Improvement Programme in 1999, which provided a practical approach to assessing corporate capacity through peer review. The IDeA is responsible for contributing to capacity building and improvement through the administration of national schemes such as the Beacon Scheme, and networks such as Regional Improvement Partnerships.

Local strategic leadership

A new phase of reform, marked by the publication of the 10-year strategy for local government in 2004 (ODPM, 2004) placed increased emphasis on markets, the role of citizens, and leadership of localities. Increased efficiencies and savings, as well as improved services for citizens, underlay

these policy initiatives, published in a series of reviews, such as the Gershon Review (Gershon, 2004) and the Lyons Review (Lyons, 2004).

On the one hand, it has been argued by the UK government that many of the fundamental principles that underpinned the reform of public services in the 1940's remain relevant (Cabinet Office, 2006). However, the most recent approach to reform of public services signals an institutional shift, intended to respond to wider social, economic and technological changes and to deliver increased responsiveness to customer needs and expectations (Cabinet Office, 2006).

In addition to trying to combine market forces with user choice, four main criteria have been identified by central government which establish the role of different tiers of government in public service reform: geographical scope; user preference; synergies with other services; and cost-effectiveness (Cabinet Office, 2006: 30). The role of local government has been redefined to provide local strategic leadership, bringing together local partners to agree priorities through a Local Area Agreement (LAA) so as to *"focus on the things that really matter to people everywhere, guaranteeing national minimum standards, but leaving room for local innovation and local priorities."* (CLG, 2006b: 5).

Collaborative leadership of local partners in an LAA is particularly difficult due to the complex nature of working across traditional organizational and party-political boundaries to create new forms of organizing. Tensions between competing models of governance place self-managing networks under considerable constraint (Newman, 2001). Patterns of social inclusion and exclusion may influence the dynamics of partnerships, and local community and residents groups may require longer-term capacity building to participate in policy and project outcomes (Newman, 2001).

Tensions between policy measures directed at local government improvement

The variety of policy initiatives for reform of local governance are intended to reinforce one another but commentators on initial policy measures have noted that the *"nature and extent of these intended synergies have never been stated explicitly"* (Martin, 2002: 293). Research into the current modernization agenda for local public services has identified both continuities and differences from previous approaches to reform (Newman, 2001).

Critics noted tensions and contradictions between government policies. Improvement initiatives emphasized both competition and collaboration; both local autonomy and centrally imposed performance targets (Martin, 1999; 2002). Further tensions exist between successive government policies and their underlying concepts (Benington, 2000; Jones, 2005). Strategies for change have simultaneously emphasized approaches characterized by:

centralization and localism; competitiveness and sustainability; persuasion and self-generated change; threats and incentives (Newman, 2001); innovation and inspection.

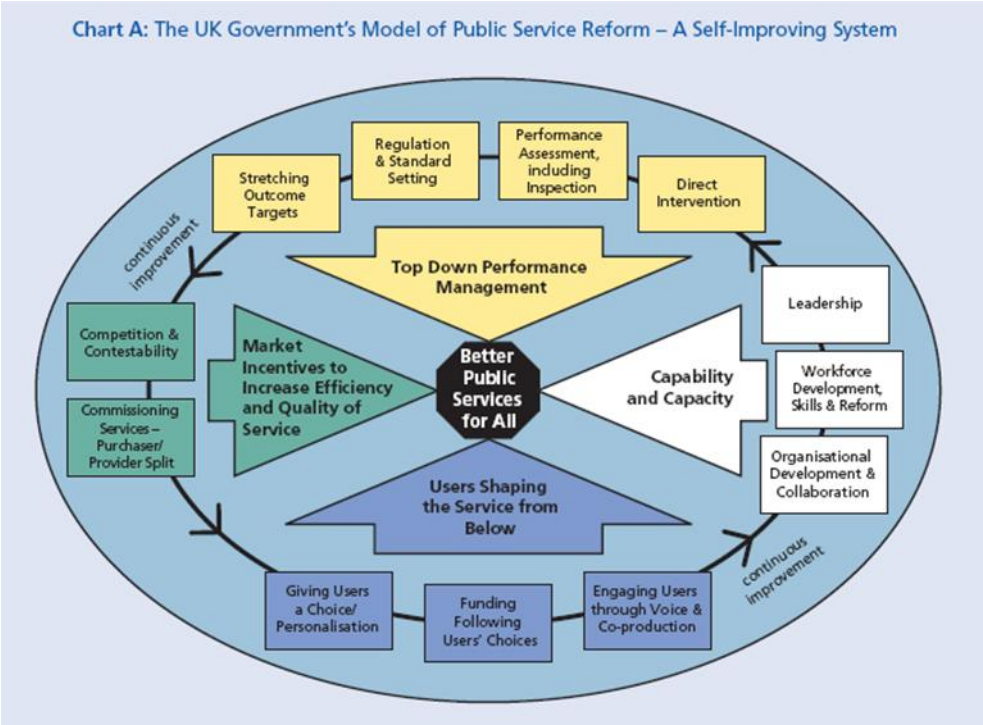
There is a lack of knowledge both about the conditions and processes whereby improvement is achieved, and how externally imposed policy initiatives are mediated by local contexts (Martin, 2005) and locally institutionalised traditions (Lowndes, 1999). The rate, extent and sustainability of change and improvement have varied between councils and across services *(*Martin, 2005: 538).

Such critics argued that theories for understanding why and how organizations change needed to be accompanied by a programme of support to local authorities to develop new forms of knowledge creation, evaluation and learning (Benington, 2000; Martin, 1999; Sanderson, 2001; Rashman and Hartley, 2002).

The UK government's approach to reform of public services has been characterised as comprising four main elements and sources of pressure. These are: top down performance assessment, regulation and intervention; competition and contestability in the provision of public services; citizen choice and voice; and strengthening the capability and capacity of central and local government to deliver improved services (Cabinet Office, 2006: 7). The

four elements are said to comprise a "self-improving system" for continuous improvement and innovation (Cabinet Office, 2006) (Figure 3.2). This is a retrospective "sense-making" of a plethora of initiatives for public services.

Figure 3.2 UK government model of public service reform. Source: Cabinet Office (2006)



The report of the Cabinet Office model of reform acknowledges the limitations of top down performance management and seeks to balance the four approaches to reform (Cabinet Office, 2006). However, it can be observed in the report that existing measures and proposals for Capability and Capacity appear considerably less well developed than those of the other three approaches. In addition, the inter-relationship between learning and capacity and the concept of a "self-improving system" is not theorised or articulated.

Instead, the four quadrants are predominantly addressed as separate approaches, rather than interlocking, additive elements. This description reinforces interpretation of the "model" as four disparate, rather than integrative elements. The visual image of the "model" suggests a coherent process of reform, whereas each of the four quadrants represents a different theory of change.

Policies directed at improving local government have consistently emphasized the first of the elements in the Cabinet Office model, i.e. performance assessment, at the expense of models of choice, competition, and self-improvement and capacity (Rashman and Radnor, 2005). It was estimated that the costs of external regulation of public services in the UK more than doubled from around £250 million in 1997 to over £550 million in 2002-03, and nine new inspection services were created (Davis et al, 2004). In comparison, capacity-building programmes were allocated £100 million over a three-year period between 2003 and 2006.

The process of modernization was initially identified as related to the sharing of learning between councils (DTLR, 1998). At this time, Beacon councils were advocated as the *"the very best performing councils – will set the pace of change and encourage the rest to innovate and to modernise"* (DTLR, 1998: 15). However, by 2006, the Beacon Scheme, the longest standing

policy instrument for capacity building in local government, did not even merit a reference in the model of Public Service Reform (Cabinet Office, 2006).

Local government in particular has occupied contradictory roles which indicate the ambiguity of policy initiatives. On the one hand, local authorities have been required to implement *"prescriptive government policies",* and on the other hand have been the *"experimenters, enablers and facilitators of systemic change at the local level"* (Newman, 2001: 77). The interaction of seemingly disparate government policies and models of change has led to unintended and adverse impacts for policies in community leadership (Sullivan and Sweeting, 2005); innovative approaches to service improvement (Martin and Bovaird, 2005); and community representation (Leach et al, 2005). In each of these policy fields, researchers have indicated that remedies for adverse effects should include building organizational capacity.

Arguably, the implementation mechanisms for performance measurement have been more effective, and better understood, than those for organizational capacity, learning, innovation and change (Benington, 2000; Hartley and Benington, 2006) and have constrained attempts at reform through sharing best practice, knowledge and learning (Rashman and Radnor, 2005).

To summarize this section on public service reform, the reform of UK local government has been characterized by tensions between conflicting models of renewal and institutional change, first, between successive governments, and second, within the current government's modernization programme. The dominance of prescriptive, instrumental perspectives of the government reform agenda has resulted in the neglect of organic conceptualizations of organizational change. There are inconsistent models of change that simultaneously seek to: enforce performance standards; engage consumer participation; and encourage self-governance and generate capacity. It is to policy measures for capacity that this chapter turns next.

POLICY MEASURES FOR CAPACITY IN LOCAL GOVERNMENT

Capacity for public organizations has been linked to the alignment of central government vision and goals with improved organizational performance, accountability, flexibility, networks, innovation and local solutions (ODPM, 2004) and providing efficient, high quality and fair standards of services (Cabinet Office, 2006). Organizations in the public sector require capacity to meet the demands of a changing society and to create public value, rather than products, profit and market domination (Hartley et al, 2008).

Increasing local councils' capacity to deliver high quality public services first gained prominence in the White Paper *Strong Local Leadership – Quality Public Services* (DTLR 2001). The national framework of standards,

assessment and accountability was intended to distinguish between those councils that had proven capacity to improve and those that had limited or no proven capacity to improve, and to target resources where they were needed. Assessment of corporate capacity formed one of the key lines of enquiry of CPA (Audit Commission, 2005), which examined the extent of a council's capacity to achieve change, deliver its priorities, and work effectively with partners. Chapter Five of the White Paper*, Support for Councils,* (DTLR, 2001) introduced the government's Capacity Building programme.

"High-performing councils" were to receive targeted support for capacity building to help them to *"lead the way to further service improvements and to share their expertise with other councils"* (DTLR, 2001: 28).

Poor-performing councils, in contrast, were to receive *"a directed approach to support and capacity building…where this is necessary to tackle corporate or service weaknesses"* (DTLR, 2001: 29).

This distinction between authorities on the basis of national systems of performance assessment suggested that creating capacity would require differentiated methods and different emphases in individual local councils. In the "high" performing councils, the aim is to develop capacity to lead and share expertise with other organizations. In the poor-performing councils, the focus is on addressing internal weaknesses and demonstration of "capacity to

improve." However research has demonstrated that the causes of poor performance vary considerably between councils, that improvement may not be sustained, and that intervention can have a negative effect on patterns of self-improvement (Turner and Whiteman, 2005).

A national framework of capacity building programmes was developed to help councils to meet the challenges of reform, which was *"focussed on developing the corporate capacity of councils to deliver real improvements to their communities"* (ODPM, 2003b: no page number). An initial annual budget of £34m established: a national capacity building programme; pilot schemes; regional pilot projects; and on-going support for authorities with a "poor" or "weak" Comprehensive Performance Assessment (CPA).

Together with a package of support and funding agreed with the Local Government Association (LGA), the ODPM and LGA Capacity Building programme was developed initially to offer local authorities the opportunity to build on the results of their CPA, by enhancing a council's corporate strength to deliver public service improvements. The key areas of focus were: training and skill development; recruitment; peer support; and peer learning. A variety of approaches were developed within the programme which included: tailored individual support to help "poor" and "weak" authorities; accredited peer learning; project management; procurement skills training; gateway

(confidential, project-related) reviews; programmes for elected members; innovatory pilot projects; and the Beacon Scheme (ODPM, 2005).

Between 2003 and 2006, £100m was committed by the ODPM/LGA fund to support capacity building in local authorities. The ongoing programme became formally associated with performance related targets in 2006, that there should be no councils rated poor or weak in the CPA by 2008 (LGA, 2005). There are two main ways in which local authorities can participate in the programme: first, through applying for grant funding to support local (sub-regional) capacity building activities; and second, by taking part in national programmes.

The Beacon Council scheme was identified as one of a number of national schemes within the Capacity Building programme which contributes to the improvement of all English local authorities. The Scheme has distinctive features in driving self-improvement through sharing knowledge at local and national levels: *"As well as hosting national and regional conferences and events, beacon officers and members act as peers to support improvement in other authorities; they engage with government to develop policy and guidance; and can play an important role within improvement partnerships."* (LGA, 2005: 20). The White Paper (DTLR, 2001) acknowledged Beacon Councils' focus on peer support and best practice guidance but recommended closer integration between the Scheme and the performance framework.

The rationale for capacity building derives from the differentiation between councils on the basis of judgements about their performance, in contrast to conceptualizations that emphasize knowledge creation, innovation and sustainable organizational change. The Capacity Building programme may be perceived as a central government response to commentators on capacity deficits and constraints within local government to implement policies (such as Martin, 1999).

Long-term, complex changes will require a shift in the required type of public organizational capacity. The government's programme addresses capacity issues that tend to focus on the delivery of short-term goals, such as skills development and recruitment problems, rather than address long-term capacity building (Newman, 2001). Longer-term funding and investment in different types of capacity building will be required to achieve culture change, partnership working, and local strategic leadership. The fundamental changes that the government intends, shifting from meeting central government standards to self assessment, and from a centralised to a local focus, will depend upon increased capacity within local government organizations to become self-critical and self-improving (Martin and Bovaird, 2005); to generate co-leadership and distributed leadership (Sullivan and Sweeting, 2005); and to incorporate the needs of disadvantaged communities (Leach et al, 2005).

The introduction of the Capacity Building Programme signalled increased emphasis by central government on measures to promote good practice in a systematic and sustained way.

"There have been a number of policies in recent years, which have attempted to recognise the positive aspects of specific areas of local government through schemes like Beacons. However, it is important that all components of a council's activity are prioritised towards service delivery. Capacity Building sustains this by putting in place a corporate strategy that will deliver these far more effectively." (ODPM, 2008: no page number).

Learning and capacity building began to emerge as increasingly important routes to improvement in UK public services but there has been more emphasis overall on performance measurement and management, with less consideration of how learning and capacity can be used to improve and sustain performance (Cabinet Office, 2006; Rashman and Radnor, 2005). The National Capacity Building programme was "*mentioned hardly at all"* in relation to research into specific elements of the LGMA (Sullivan and Sweeting, 2005: 4) and consequently, researchers observed that the *"the low profile of the national capacity building programme makes it difficult to assess its impact on community leadership as yet"* (Sullivan and Sweeting, 2005: 4).

Researchers concerned with local government improvement have noted the need for a clear framework that explains how individual and organizational learning leads to innovation, organizational change and improvement in public services (e.g. Hartley 2005; Rashman and Radnor 2005; Jas and Skelcher, 2005), because this underpins the practice of capacity building. There is evidence of improvement in local authority performance (mainly based on judgements of performance measures and external inspection) but there is uncertainty about the outcomes of improvement in terms of impact on services, public satisfaction, and access to services. There is a need to learn more about the determinants of experimentation, learning, innovation and sustained improvement (Martin, 2005).

In summary of this section, central government acknowledged but under-estimated the lack of capacity of local authority organizations to implement an extensive, complex programme of reform. The introduction of initiatives to support local authorities to respond to and to embed the modernization programme appeared to represent a belated and partial shift in emphasis from centralised inspection to self-improvement. The national programme of capacity building and learning has focused on skill development and workforce planning but has not addressed longer-term aspects of capacity in complex social and institutional systems, including culture change, partnership working, and local networked governance. Capacity and capacity

building need to be underpinned by theories that explain how individual and organizational learning lead to change in organizations and institutions.

The chapter next turns to one policy mechanism that is intended to increase capacity, learning and self-improvement in local government.

POLICY CONTEXT: THE BEACON SCHEME

The Beacon Scheme (formerly called the Beacon Council Scheme until 2005) was introduced in a White Paper (DTLR, 1998), several years prior to the more recent policy initiative and funding on capacity building in local government. The Beacon Scheme has two key elements as a policy instrument intended to improve corporate and service performance in English local government. It provides national recognition through a competitive application process and award; and it aims to share excellent practice on improvement across local government. In addition to these twin aims, new aims for the Scheme were developed (DTLR, 2001) to build capacity within and between authorities; and to help create synergies between modernization initiatives.

Features of the Beacon Scheme: national award and peer learning

Awards are given to those authorities that demonstrate excellence and/or innovation in specified service themes. The Scheme was expanded in 2003 to cover not only local authorities, but also other Best Value authorities (e.g.

national park, police, fire, waste disposal, metropolitan county passenger transport authorities and parish councils). Best Value authorities that receive a poor or '0' star CPA rating are not eligible to apply. This study focuses on local authorities, which still constitute the vast majority of applicants and learners in the Scheme (Hartley and Downe, 2007).

"The Beacon scheme is unique amongst award schemes, not only an accolade for excellence and new ways of working, it is also about sharing knowledge and experience for the benefit of everyone. Above all, it is about improving the quality of life for all our citizens" (CLG, 2007:5).

Applications are invited for Beacon status annually, in a range of selected themes, which are intended to reflect current and future policy priorities. In Round 9, for example, ten new Beacon themes were selected to contribute to priorities identified in the White Paper *Strong and Prosperous Communities* (CLG, 2006a; 2006b; CLG, 2007). To illustrate the range of themes, in Round 9 they included: Reducing health inequalities; Tackling climate change; Local Strategic Partnerships and Local Area Agreements. Theme descriptions and criteria are explained in the annual application brochure.

Applications (which may be single or joint between authorities) must describe general performance information, and demonstrate how their practice meets theme criteria, and six generic Beacon assessment criteria. In addition,

applicants must convince the assessors that they are capable of sharing their excellent practice with others to support service improvement across the sector. Theme experts from a range of agencies and government departments assess applications, in a process that is supervised by the Independent Advisory Panel. Recommendations from the Advisory Panel steer applicants through a series of steps in the assessment process, including short-listing, assessment visits and presentations, leading to award of Beacon status by Ministers at a formal award ceremony. Councils and Best Value authorities awarded Beacon status are expected to share their experience and knowledge with other authorities in a programme of theme-specific learning activities and peer support (CLG, 2007).

"The Beacon application and assessment process is designed to be rigorous. Beacon status will only be awarded to those authorities that demonstrate innovation or excel within their theme and are prepared to share their best practice with others." (CLG, 2007:13).

Prior to Round 8 of the Scheme, the Beacon learning and improvement programme involved a series of large-scale, structured events, including national and regional learning exchanges, open day events, tailored visits and mentoring. From Round 8, a more flexible approach to learning was introduced to reflect a refocus of the Scheme. First, Beacons are encouraged to make use of a range of established conferences, events and networks to

share their good practice and to encourage learning through close, peer support relationships with other authorities and regional improvement partnerships. A second, important aspect of learning and improvement in the Scheme (CLG, 2007) is that Beacons are encouraged to share their expert knowledge to inform central government policy development:

"It is recognised by both local and central government that Beacons can play a large role in helping to shape and test national policy. Beacons will continue to be encouraged to build on the policy influence and joint working that Beacons' links with government departments have already afforded them." (CLG, 2007: 65).

Since the launch of the Beacon Scheme in 1999, there have been: 1784 applications, (including round nine) received for Beacon status; 377 Awards received by Beacon authorities from round one to eight. Types of authorities that have won Beacon status from round one to eight (in the case of joint applications only the lead authority is recorded): 60 County Councils; 67 London Boroughs; 101 Metropolitan Boroughs; 72 Shire Districts; 73 Unitary; and 6 Best Value Authorities (IDeA, 2008b).

The Beacon Scheme and capacity building

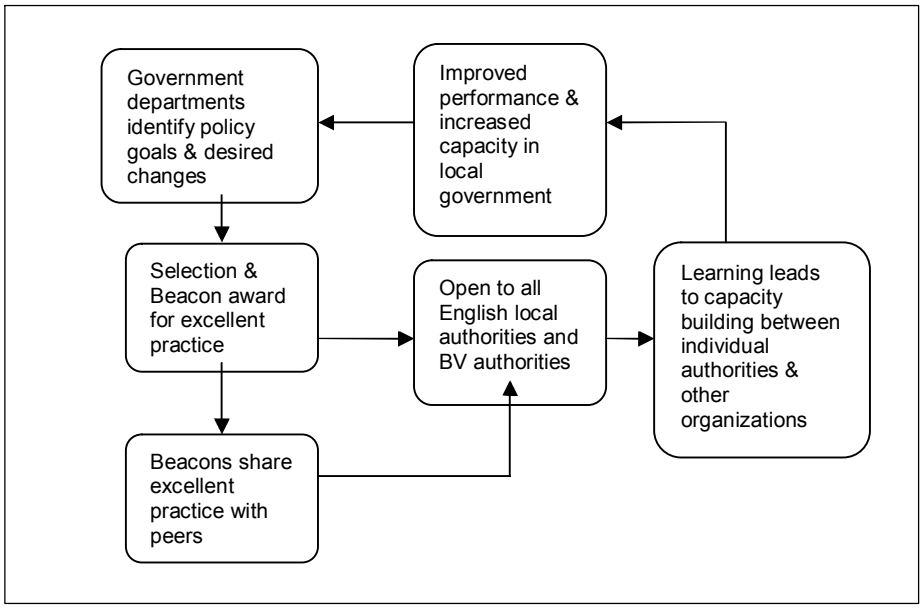
The Beacon Scheme is recognised to have a number of elements which constitute capacity building, (e.g. organization-level of sharing and creating knowledge and skills as a means to improve performance) and in functional terms the Beacon Scheme is part of the Communities and Local Government's Capacity Building initiative. There is scope to use the Scheme as an exemplar both to clarify what is understood by organizational capacity and capacity building and also articulate the actual and potential contribution of the Beacon Scheme to capacity building in local government, as well as in other Best Value authorities covered by the Beacon Scheme.

Research has identified features of the Beacon Scheme which indicate that it has clear conceptual and practical links with capacity building (Hartley and Rashman, 2006; Rashman and Hartley, 2006a). Such features include: a rigorous application process that includes criteria concerned with corporate capacity as well as criteria concerned with service excellence or service innovation (Hartley and Downe, 2007); considerable learning between local authorities (Rashman et al, 2005), leading to service improvement (Rashman et al, 2005; Downe et al, 2004), that is two-way i.e. between Beacons and their visitors as well as vice versa (Hartley and Rashman, 2006); learning about corporate processes and strategic change particularly amongst corporate and strategic leaders (Hartley and Rashman, 2006; Hartley 2007);

some local authorities use the Scheme to support and develop learning within the authority (Hartley et al, 2006).

Seen through the lens of capacity building, the Beacon Scheme can be seen as a mechanism that: first, identifies and awards Beacons for excellent practice in areas of key government policy; second, structures how excellent practice is shared between individual local authorities (and other Best Value authorities); third, creates learning, leading to capacity building in and between individual authorities (and with other organizations); and fourth, leads to improved performance and increased capacity in local government (and other local public services). These different elements have been conceptualized and captured in my analytical scheme, shown in Figure 3.3 below.

Figure 3.3 Beacon Scheme as a capacity building initiative



The Beacon scheme is therefore a valuable policy initiative and set of practices, through which to examine the nature and extent of capacity and capacity building in local government.

SUMMARY

Institutional processes contribute to understanding of complex change in public organizations and of local responses to the external environment in a local governance context. *"Context plays a significant role in understanding how public organizations work in practice, how they change and how reform processes should be organized"* (Christensen, 2007: 185).

The UK Labour Government of 1997 established a wide-ranging and accelerated agenda of policy reform for public services and local government. The LGMA has extended the market-centred and competitive pressures of the previous Conservative administration, and placed public services under considerable demands from external regulation, inspection and performance measurement regimes. Improvement in public services focuses on networked governance and partnerships as mechanisms for decision-making, integration of services and creation of public value.

Tensions exist between diverse policy initiatives for public service reform that have been perceived as fragmented, divisive, contested and lacking in theoretical underpinnings. Research has found limited evidence that the

expensive performance regimes of the past decade have delivered sustained improvement. In contrast to the policy emphasis and scale of funding attributed to performance management, organizational capacity and learning have received limited attention.

Policy formation has largely neglected theories of organizational change, cultural and human dimensions of organizational behaviour, organizational learning and capacity. Central government introduced a national framework of capacity building programmes to provide support to councils, but these programmes have tended to focus on short-term goals, rather than longer-term capacity building. An exception has been the Beacon Scheme, established at the start of the modernization agenda to build capacity through self-improvement, learning and sharing knowledge across local public service and government organizations.

The implications of the policy context described in this current chapter, when taken together with the results of the literature review, indicate that discussion of the reform of public services is a major theme in contemporary debates that pays relatively little attention to organizational capacity and learning. The Beacon Scheme provides an opportunity to remedy this lack and this is where the current research is focused.

CHAPTER FOUR: RESEARCH STRATEGY, DESIGN AND METHODS

INTRODUCTION

This chapter provides the research aims and questions for this study. It describes the development of a conceptual and empirical framework, so as to operationalize the theoretical concepts explored and discussed in the literature review in Chapter Two. It develops the research strategy, methods and techniques, and data collection methods. The chapter describes the strengths and potential limitations of the study, arising from its design, which include possible threats to reliability and validity; and the delimitations of the scope of the study.

RESEARCH AIMS AND QUESTIONS

As set out in the preceding chapters, the research focus of this study is the exploration and development of theoretical ideas tested through empirical work that will *contribute to knowledge about the concept of organizational capacity in public organizations and how capacity can be developed to improve public services.*

The review of the literature in Chapter Two revealed that the various streams of writing and discussion about organizational capacity and capacity building leave many unanswered questions. First, the concept of organizational capacity is relatively under-theorised. Second there is a need for a clear

definition. Third, organizational capacity may be perceived as being conceptually distinct from capacity building. Operationalization of the concepts and empirical research are needed that help to explain the relationship between organizational capacity and organizational capacity building. Fourth, context matters. The public policy context, described in Chapter Three, where organizational capacity building is intended to improve public service performance, makes this a significant area of enquiry. One of the aims of the study is to assess the extent to which the context of public organizations affects organizational capacity and capacity building.

The aims and objectives of this study can be stated initially as five main research questions. Having reviewed the literature, the first aim of the research is to construct a theoretical framework capable of being operationalized into a measurement tool, suitable for the UK public service context. The first question relates to the meaning of organizational capacity, the need to develop its currently limited conceptualization, and to develop and test a model of organizational capacity and capacity building: *What do we mean by organizational capacity and can we build a plausible model of organizational capacity?*

Having developed, tested and assessed the reliability of the model of organizational capacity, the next steps in the enquiry will be to apply the model to explore organizational capacity in the context of UK public

organizations. In particular the model will be applied to examine differences between Beacon and non-Beacon local authorities, and to examine changes over time in the capacity of these two types of local council.

The second question relates to *the relationship between conceptualizations of organizational capacity and the public organizational context*. In other words, what theories, definitions and models of organizational capacity might be relevant to UK public service organizations? The relative lack of research into organizational learning and knowledge and into organizational capacity and capacity building suggests that there is a need to apply theories and develop measures to understand and explain such phenomena in public service organizations.

The literature review has identified that there is a need for research which explores and explains differences in capacity within and between public organizations. This leads to the third research question, *what is the extent of organizational capacity in English local authorities?* This question is aimed at investigating the possible existence of differences in organizational variables that can explain the extent of organizational capacity in English local authorities. This in turn suggests that factors that explain organizational capacity also contribute to explanation of organizational knowledge, learning and improvement.

The fourth research question examines changes in organizational capacity: *what is the extent of change over time in organizational capacity in English local authorities?* Prior research into organizational capacity and capacity building has for the most part neglected an explanation of changes that illustrate an increase in capacity over time. If an increased extent of factors related to organizational capacity is found, it may be related to increases in organizational knowledge, learning and organizational improvement, or to other factors. This study offers a means to explore capacity factors that lead to performance changes in an organization and amongst populations of organizations. The fourth research question is also intended to explore the distinction and overlaps between the concepts of organizational capacity and capacity building, which the literature review found to derive from different perspectives.

Finally, the fifth question focuses on one specific policy intended to increase capacity and improve performance in local government and local public services: the Beacon Scheme. Part of the rationale for capacity building is to reduce the differentiation between high performing and lower performing councils. The assessment process for the award of Beacon status is robust: Beacon status is awarded to those councils that have demonstrated service excellence and the capability to share their expert knowledge with others. The Beacon Scheme provides the opportunity to examine explanations of capacity that may be associated with first, better performing councils; and second, with

organizational sharing of knowledge and service improvement. The fifth research question is: *is the award of Beacon status associated with greater organizational capacity and greater capacity building?*

One important aspect of this study is the potential contribution to knowledge that can be made by studying public organizations. As noted in the literature review, public organizations tend to be under-represented in organizational research in general, and in relation to organizational knowledge, learning and capacity in particular (Rashman et al, 2008, forthcoming). Public organizations of particular theoretical interest to this study are active in the acquisition and assimilation of knowledge, thus increasing their capacity to anticipate change, and to transform their potential for innovation and improvement.

The research questions inform the selection of the type of organization to be studied in the research. Beacon councils have an established and nationally recognized reputation as pioneers of excellent practice and there is research evidence that Beacons acquire, assimilate and adapt knowledge (Rashman and Hartley, 2002; Downe et al, 2004; Hartley et al, 2007; Hartley et al, 2008). The study will include the comparison of Beacon and non-Beacon local authorities. It is reasonable to hypothesise that councils that have been awarded Beacon status will be more active in capacity building activities than those councils that have not achieved the award. The argument is made that both internal and external organizational factors influence changes in

organizational learning and in organizational capacity. Therefore, the assumption is made that it is possible to distinguish and test variables that can explain differences in levels of organizational capacity.

PHILOSOPHICAL ASSUMPTIONS AND METHODOLOGY

The design of the research strategy to study organizational capacity, and to take into account the contextual features of public organizations, poses questions about the selection of an appropriate approach and methodology for understanding social phenomena. The choice traditionally rests on a distinction between philosophical paradigms, each of which has been primarily associated with specific methodological approaches to the research process and methods of data collection and analysis. The positivistic paradigm, based on the notion that the study of social reality should be similar to the study of natural sciences, is largely concerned with the collection of quantitative data. Phenomenological or constructivist research by contrast, emphasises the socially constructed nature of social interaction, and is usually associated with qualitative methods. The review of previous studies of organizational capacity revealed relatively few examples of empirical research: these were drawn from both quantitative and qualitative approaches.

Each of the two dominant paradigms, positivist and phenomenological, has an established tradition and has evolved in part as a reaction to competing

perspectives (Morgan and Smircich, 1980). They may be described as extreme positions on a continuum, which include ontological, epistemological and methodological assumptions of the two main paradigms (Collis and Hussey, 2003), as illustrated in Figure 4.1.

Figure 4.1 Assumptions of the two main paradigms. Source: adapted from Collis and Hussey (2003: 49-60).

Positivistic	*Approach to social sciences*	**Phenomenological**
Ontological		*Ontological*
Reality is objective, concrete and apart from the researcher.		Reality is subjective, multiple, as seen by participants in a study.
Epistemological		*Epistemological*
Researcher is independent from that being researched.		Researcher interacts with that being researched.
Methodological		*Methodological*
Deductive process		Inductive process
Static design		Emerging design
Context-free		Context-bound
Tends to produce quantitative data		Tends to produce qualitative data
Associated methodologies		*Associated methodologies*
Cross-sectional studies		Action research
Experimental studies		Case studies
Longitudinal studies		Grounded theory
Surveys		Participative enquiry

The quantitative methods of the positivist approach are likely to be underpinned by a theoretical framework and to include testable hypotheses and propositions about relationships between a relatively small number of phenomena. Systematic observations and experiments provide an explanation of relationships among selected variables. Critics of the positivistic approach argue that the “standard view” of science is inappropriate for social sciences (Smith, 1998) and that scientific facts cannot be observed objectively nor understood separately from their social context. Social reality

is not objective but an outcome of subjective meanings and the aim of social science should be to uncover and interpret socially and historically constructed perceptions and meanings (Smith, 1998; Robson, 2002). The research "objects" are human individuals whose behaviour cannot be fully evaluated but can be described and partially understood by seeking their underlying meaning, as well as record observations of material activity and causal links. In contrast to positivist assumptions, phenomenologists regard reality as subjective, value-laden and multiple, represented through the perceptions of participants (Smith, 1998).

Interpretivism is one of a number of phenomenological approaches. It suggests a broader philosophical perspective that is not exclusively associated with qualitative research design and methods (Moses and Knutsen, 2007). Interpretivist assumptions about the nature of reality focus on its dynamic nature and multiple realities. Social structures are assumed to be in a constant state of flux and individuals' perceptions, activities and interpretations of meaning interact with social structures within a social context. Interpretive theorists and researchers make use of their own prior knowledge and interpretations, drawing on *"common sense and experiential understandings"* in their study of meanings of people in groups and organizations (Hatch, 2006: 43).

The strong associations between paradigm, methodology and research methods have implications for both the choice of research problem and expression of research questions (Collis and Hussey, 2003). One common solution to the relative strengths and risks of the two approaches is to combine or mix qualitative and quantitative research methods. This study will take an alternative design approach, which will test a conceptual framework through subsequent survey research, which will be analysed interpretatively, drawing on the researcher's prior contextual knowledge. The philosophical argument is made in the following section.

QUALITATIVE AND QUANTITATIVE METHODS

The nature of the phenomena under investigation in organizational analysis (relationships between people, systems, processes and structures) challenges the use of positivist approaches. Phenomenological or interpretivist approaches are not often associated with measurement or statistical studies (Collis and Hussey, 2003; Moses and Knutsen, 2007) but some scholars have argued for a different way of considering the relationship between philosophical and methodological approaches.

Organizational research needs to employ research techniques appropriate to the task (Morgan and Smircich, 1980) that are focused on interactions and meanings in context, to gain new knowledge within a particular setting. Some critics have argued that positivistically based theoretic studies of change and

innovation in organizations have failed to produce robust findings and that it has proved difficult to transfer research findings to different social and cultural settings of organizations (Pettigrew et al, 1992). Interpretive research may be associated with qualitative research methods but as there are no prescribed methods, both qualitative and quantitative methods may be combined within an interpretive approach: quantitative data collection (such as use of surveys) may be complemented by consideration of social meaning.

It is sometimes claimed that statistical approaches may be problematic for a constructivist scholar due to the need for distance from the context of the study and loss of interpretation through the process of quantification (e.g. Moses and Knutsen, 2007). However, the dichotomy between qualitative and quantitative methods is an unhelpful, artificial *"relic of the past"* (Moses and Knutsen, 2007: 292). Indeed, *"some of the most sophisticated 'quantitative' strategies can be associated with constructivist methodology"* (Moses and Knutsen, 2007: 294) because it is possible to specify and interpret the context of a study and to develop an understanding interactively with the data. This "methodological pluralism" (Moses and Knutsen, 2007) allows the interpretation of measurable data, as well as the preservation of meaning and context that are important to constructivists.

The implication of this argument for the research design for this study is the intention to bridge the artificial divide in the philosophical continuum. Rather

than be constrained by the traditional associations of polar positions, the research design will combine: an interpretivist approach; a contextual mode of research appropriate to the study of organizational capacity; and methods that will encourage hypothesis formation, verifying and theory building. Quantitative methods are appropriate and will be used to develop and interpret research into capacity in the public service context.

Survey research is one method of collecting, organizing and analysing data that is often contrasted to qualitative methods. Qualitative methods, such as case studies, focus on particular cases to develop a rich picture and depth of understanding but do not rely on comparing cases. In contrast, surveys can provide large amounts of data about many cases. Surveys are frequently carried out for descriptive and analytical purposes and "*can go beyond the descriptive to the interpretive…to provide explanations of the phenomena studied and the patterns of results obtained"* (Robson, 2002: 235). Interpretation depends upon inclusion of a substantial number of variables and sophisticated analysis of the pattern of correlations.

The approach to the interpretation of the survey data will incorporate important aspects of symbolic-interpretive influences, including understanding of organizations as socially constructed and institutionalised within specific socio-cultural and political contexts (Hatch, 2002: 46). The interpretive researcher acknowledges their own subjective understanding, becoming self-

reflexive, and recognising that *"knowledge is being generated between people, negotiating meanings in an inter-subjective way"* (Radnor, 2001: 29). Reflexivity calls for the researcher to question the assumptions underlying the research design and process (Hatch, 2002); and it acknowledges the relevance of prior contextual knowledge that the researcher contributes to the research design (Radnor, 2001). In the next section, the empirical framework is developed into a model that can guide the preparation for survey design and data collection.

THE EMPIRICAL FRAMEWORK

The literature review identified a number of theoretical frameworks, models and measures of organizational capacity and capacity building. In this section, the discussion focuses on the synthesis of prior research to inform the development of a conceptual framework for the empirical study. These guiding frameworks derive predominantly from the context of public service organizations. This study will focus on the explanation of organizational capacity within contemporary UK policy intended to improve public services in general and local authorities in particular.

Explanations of organizational capacity derive from analysis of capacity deficits (Martin, 1999; Sanderson, 2001; Rashman and Hartley, 2002), as well as existing or theoretical antecedents and "dimensions". The achievement of the appropriate level of organizational capacity that can lead to learning and

improvement, including the acquisition, assimilation and utilization of "potential" capacity, can be perceived to be valuable for superior organizational performance. Incomplete or inadequate capacity is likely to be manifested by deficits in performance. Differences between an inadequate, adequate, or optimum level of organizational performance may be explained by the extent of organizational capacity. Therefore it is important and necessary to construct a conceptual framework that can analyse the differences in capacity that contribute to changes in organizational performance.

This study draws on the limited previous conceptualizations and research into organizational capacity to create a conceptual and empirical framework. Comparisons between private and public organizations suggest that there is variation within public organizations as well as between sectors that influences how capacity may be conceptualized, operationalized and measured. The models explored in the review of the literature derive predominantly from public policy and public service organizations. As previously stated in this chapter, the aims of the study are to develop an understanding of *organizational capacity and capacity building in public organizations,* as one means to assess the effect of context on organizational capacity. The development of concepts and theoretical models to create clear relationships between various policy instruments for local government reform is largely absent.

The features of the organizational context of capacity are important. The locus of the research will be *in local authorities* in particular and the intention is that research results will illuminate capacity in wider contexts of public services and other sectors. The study will focus on one policy instrument intended to improve corporate and service performance in English local government. The Beacon Scheme is recognised to have a number of elements which constitute capacity-building, (e.g. organization-level of sharing and creating knowledge and skills as a means to improve performance).

The design of the empirical framework, which will be discussed in the following sections of this chapter, draws predominantly on three sources: the literature review in Chapter Two; previous relevant studies identified in the literature review; and wider knowledge of the public policy context developed through prior research. The literature review identified a limited number of frameworks related to organizational capacity and capacity building features and characteristics (Figure 2.6).

However, relatively few of these conceptualizations provided empirical evidence (Figure 2.8), which weakens the explanations of capacity in these studies. The most robust research study was found to be Newman et al, 2000 (Figure 2.10), which will be reviewed to develop the investigative approach to this study.

Literature review: Key capacity features and characteristics

One of the key original contributions that my research will make is to create a model or conceptual framework of organizational capacity. In Chapter Two, I reviewed the literature and from careful analysis and synthesis, I put forward a conceptual framework which will be tested in the empirical research.

The six elements that this researcher has developed from the literature review into the conceptual framework are the following factors associated with organizational capacity: the characteristics of knowledge and learning; external and internal contexts; enabling internal conditions; structural relationships; management and leadership; and performance management, planning and evaluation. The discussion now turns briefly to each of these six features.

Characteristics of knowledge and learning

Many previous studies of capacity consider the organization as a knowledge institution in which knowledge creation and organizational learning are central to organizational adaptation, and improved performance. The conceptualization of the knowledge organization places particular emphasis on knowledge and learning as *underpinning characteristics* of organizational capacity.

Different types of organizational knowledge are identified in the literature: internalized, shared tacit knowledge and internal integration of new knowledge (Tompkins, 1995); collective, shared meanings at a group or wider level (Tompkins, 1995; Cohen and Levinthal, 1990); knowledge of organizational functioning: managing change and improvement (ODPM, 2003a); prior related knowledge enables the effective acquisition and absorption of new knowledge from external sources (Cohen and Levinthal, 1990); tacit knowledge for diagnosis and contextualization of learning needs (Cohen and Levinthal, 1990; ODPM, 2003a), organizational innovation and adaptability (Child and Faulkner, 1998; Newman et al, 2000; Hartley, 2006; O'Connor et al, 2007).

Prior related knowledge and internal mechanisms affect absorptive capacity (Cohen and Levinthal, 1990; Van den Bosch et al, 2005).

Similarly, previous studies have identified different aspects of organizational learning. Exploratory learning generates variety and adaptation to changing circumstances (McGrath, 2001); learning relates to positive improvements (Crossan and Berdrow, 2003). Leadership of learning (Finger and Brand, 1999) and structural and cultural aspects of learning (Finger and Brand, 1999; Sanderson, 2001; Newman et al, 2000) are identified. Learning at different levels includes individual, collective, organizational, inter-organizational, and population levels.

It is concluded that, for the present study, specific knowledge and learning characteristics are relevant and essential, and underpin many related organizational characteristics. For example “acquisition and absorption of knowledge”, “knowledge of organizational functioning” and “internal mechanisms” may be relevant. However, “R&D spend” has been found to be inappropriate as a variable for organizations that lack an R&D function and whose performance is not measured in commercial terms. Selection and design of variables need to be appropriate for a public sector context.

Characteristics of external and internal contexts

A second category of characteristics of capacity found in the literature is the influence of external factors and the inter-dependence of features of the external and internal environment. The widest dimension covers economic, political and social factors, for example: the labour market, political institutions, and the organizations of civic society. Other levels relevant to the public sector context include concurrent policies, power relationships, communications and interactions among inter-related organizations. The organizational dimension (Grindle and Hilderbrand, 1995: 447) includes for example, goals, structure of work, management and leadership.

External drivers of change were found to be important for innovation and change in local authorities. Both political and managerial actors were found to

be important in leadership of learning and creating organizational capacity (Newman et al, 2000; Hou et al, 2003; Downe et al, 2004; Jas and Skelcher, 2005; O'Connor et al, 2007).

The results of the two empirical studies (Grindle and Hilderbrand, 1995; Newman et al, 2000) and the research into capacity building needs of local government (ODPM, 2003a) indicate the importance of the inter-relationship between macro and micro organizational levels in order to build capacity. This suggests that the influence of external factors can impact on every level of an organization's capacity.

Characteristics of the external environment are considered to be important for this study of capacity in public organizations, and in particular, the inter-relatedness of external and internal features. Although the widest level of variables applied to developing countries is of less relevance, variables at the organizational level in public organizations are influenced by features of the wider environment. Therefore it is concluded that for this study, variables measuring the alignment of the internal organization with the wider environmental context will be included.

Characteristics of enabling internal conditions

Third, specific features of internal organizational conditions were identified within prior research. Strong cultures and good management practices were

identified as more likely to lead to effective performance in public organizations than rules and procedures (Grindle and Hilderbrand, 1995). Internal organizational culture was found to be a determinant of innovative capacity in local authorities (Newman et al, 2000) and in public policy organizations (O'Connor, 2007). Aspects of organizational culture that encourage participation and organizational cohesion, including shared norms and teamwork were found to positively influence individual performance (Grindle and Hilderbrand, 1995).

Developing cultural capacity for the future (Newman et al, 2000) includes "internal synergy": working and learning across internal boundaries, a consensual culture, and an effective corporate focus amongst senior managers and politicians. Internal communication and social integration mechanisms are amongst antecedents and explanatory factors in organizational adaptation to acquire and absorb capacity (Cohen and Levinthal, 1990; Zahra and George, 2002).

For the purpose of this study, it will be necessary to include variables relating to the internal organizational conditions that enable, or constrain, organizational capacity.

Characteristics of structural relationships

A fourth set of characteristics proposed by the researcher, based on aspects of the literature, is an appropriate infrastructure and structural arrangement for organizational capacity. Networks of organizations and strong network communications assist in the transfer of knowledge, good practice and improved performance (Beeby and Booth, 2000; Inkpen, 2002; Osborne and Flynn, 1997) and contribute to increased learning, capacity and improved performance in public service organizations (Osborne and Flynn, 1997; Grindle and Hilderbrand, 1995; Newman et al, 2000; ODPM, 2003a; Cabinet Office, 2006; Hartley and Rashman, 2007).

Some writers have noted the need for effective networks and flexible structures at the intra-organizational level (Newman et al, 2000; Hartley and Rashman, 2007). Complex, multi-unit organizations need to develop collaboration through internal and external relationships but may develop capacity inconsistently (O'Connor et al, 2007). Structures and cultures were found to be closely inter-related in local authorities and departmental cultures presented a strong barrier to creating change across internal boundaries (Newman et al, 2000). Flexibility of organizational boundaries depends on the effectiveness of inter-organizational networks and partnerships; and responsiveness to partners, users, citizens and communities (Newman et al, 2000).

Therefore, this present study will include variables related to networks and flexible organizational structures.

Characteristics of management and leadership

Effective management practice and leadership described in the research are proposed as the fifth set of capacity characteristics. Specific aspects of management style and practice were evident in better performing organizations, including authority relationships, problem-solving, openness to participative decision-making and collaboration (Grindle and Hilderbrand, 1995), and management of change (Honadle, 1981). Political leadership is of particular importance in public organizations (Sanderson, 2001) and strong, consistent leadership in local government needs to be shared and aligned between chief officers and local politicians (ODPM, 2003a; Turner and Whiteman, 2005). The relationship between political and managerial leadership was found to be a critical variable for innovative capacity in local authorities (Newman et al, 2000). Proactive, externally oriented leadership, and diverse leadership roles and styles were found to be important for different stages of capacity building and for innovations between organizational sub-units (Newman et al, 2000). Effective leadership of local authorities has been shown to include prioritisation, effective partnerships and effective performance management (ODPM, 2003a).

The combination of political and managerial leadership is distinctive to local authorities and this type of variable will therefore be included in this study.

Characteristics of performance management, planning and evaluation

Sixth, the researcher proposes a set of variables that explain the relationship between organizational capacity, capacity building and performance and planning (Grindle, 1981; ODPM, 2003a; ODPM, 2005; Turner and Whiteman, Tompkins, 1995; Newman et al, 2000) but there is relatively little evidence to support this relationship. Sanderson (2001) argues for a relationship between first, an organizational culture of evaluation and learning; second, the development of organizational capacities; third, analysis and evidence based decisions in local government; and fourth, the implementation of central government reform. Research into capacity needs in local government found that the highest priorities were strategic leadership, change management and performance management skills and knowledge (ODPM, 2003a). The performance of public services has been the main focus of the UK government's reform agenda for over a decade (Cabinet Office, 2006).

It is concluded that this study will include variables of organizational performance, planning and evaluation.

The Beacon Scheme research programme

In this section, I briefly explain the overall research programme into the Beacon Scheme, my own role within the research team and the delimitations of the scope of the present study, within the wider research programme. This section draws on relevant empirical research from the wider Beacon Scheme research that provides a context and grounding for the current study.

The Beacon programme of research is one of the few Local Government Modernisation Agenda (LGMA) studies to have national and longitudinal data, plus multi-respondent data. The evaluation of the Scheme by Warwick Business School took place in phases between a year of its inception, in 1999 until 2008, with two major phases between 2000 and 2003; and between May 2003 and November 2006, resulting in longitudinal data. The principal aim of the evaluation was to determine the overall impact and effectiveness of the Beacon scheme for all local authorities, whether they are award holders or learners (Hartley et al, 2008).

The programme of research is extensive, incorporating quantitative and qualitative data. It included extensive surveys, intensive case studies, and multiple respondents of local authorities that are both engaged and non-engaged in the Beacon scheme. The research methods and data sources are summarized in Figure 4.2. (source: Hartley, 2008).

Figure 4.2 Data and research methods for the Warwick research on the Beacon Scheme. Source: Hartley (2008).

Research method	Population and sample	Research responsibility	
		Lead	Contributor
National survey of all English local authorities 2001	Multiple respondents n= 314 from 180 authorities (47% response rate by authority)	L Rashman	J Hartley J Downe J Storbeck
National survey of all English local authorities 2004	Multiple respondents n= 448 from 191 authorities (49% response rate by authority)	L Rashman	J Hartley
Including capacity and capacity building	As above	L Rashman	---
National survey of all English local authorities 2006	Multiple respondents n= 360 from 176 authorities (45% response rate by authority)	L Rashman	J Hartley C Ungemach
Including capacity and capacity building	As above	L Rashman	---
Focus groups and telephone interviews 2001	59 local politicians and managers from 37 local authorities	L Rashman	J Hartley A Gulati
Case studies 2001	12	L. Rashman	J Hartley J Downe J Storbeck
Follow up of half of those cases 2 years later	6	L Rashman	J Hartley J Downe
Case studies in 2004	13	Z Radnor	L Rashman J Hartley E Withers A Stephens
Case studies 2005	11, of which 6 revisited and 5 new case study organizations	Z Radnor	E. Withers L Rashman J Hartley
Survey of front-line staff	Staff from all front-line services in 15 councils, n= 1,933	J Hartley	K Morrell
Construction of database; analysis of all applications, shortlistings and awards over 6 years	388 authorities over 7 rounds (years) of award	J Hartley	J Downe E Withers
Analysis of performance indicators relevant to context, corporate improvement, and service improvement in four themes	69 variables for 388 authorities	Z Radnor	J Hartley E Withers W Jimenez
Data envelopment analysis of performance indicators at population, application, shortlisting and award stages in four themes	25 indicators across 4 service themes	J Hartley	J Storbeck J Downe
Observation of some Panel meetings and annual review meetings with the Minister for CLG	At least annually	J Hartley	L Rashman Z Radnor
Interviews with central government civil servants on engagement in and learning from the Scheme	13 civil servants in 6 UK-based service departments	L Rashman	Z Radnor

My own role within the overall programme of research into the Beacon Scheme has been that of research team member together with colleagues, and at times, research manager, overseen by the Research Director. I have held lead responsibility for the design, administration, interpretation and reporting of specific research methods, including case studies, qualitative interviews, and for all three national surveys of English local authorities (2001; 2004; 2006).

The purpose of the national organizational surveys is to collect data about the impacts of the Beacon Scheme and in the longitudinal elements to explore the changes in organizational learning, capacity, improvement processes, inter-organizational learning and impacts on service processes, delivery and performance (Rashman et al, 2006). It provides an important extensive and quantitative base of data that can map progress and change, and examine lagged effects over time.

The objectives of the national surveys were to gather quantitative data from the experiences of local authority elected representatives (members) and managers on:

- Levels of engagement amongst local authorities with the Beacon Scheme and Beacons events;
- The attitudes of local authority elected members and officers towards the Beacon Scheme and how it could be improved;

- Organizational and inter-organizational learning through the Scheme;
- The impact of the Beacon Scheme and Beacon events on authority corporate and service performance;
- Methods employed by local authorities to improve services and stimulate innovation.

In order to focus the evaluation, four Round 5 Beacon themes were selected for in-depth study in the surveys as well as in the case studies: Benefits Administration; Early Years and Childcare; Better Local Public Transport; and Crime and Disorder Partnerships. These themes were selected on the basis of a range of criteria, with the aim of gathering a broad and varied selection (Rashman et al, 2006).

The PhD research within the overall research programme

The research aims and design of the national surveys of English authorities in 2004 and 2006 included a specific section focused on organizational capacity, with prior agreement that it would be available for the doctoral research and would be designed and carried out by me, with advice from my supervisor. In this way, the aims of the overall Beacon Scheme research programme, membership of the research team, lead responsibility for the survey research and the aims of the doctoral research coincided. I ensured clear boundaries by leading the design and completion of the surveys with the whole team but undertook the capacity survey on my own with advice from my supervisor.

The survey of organizational capacity was delimited as a separate section within each of the national surveys, in 2004 and 2006. This is clearly stated in Table 4.2 which shows where the PhD contribution lies in relation to the overall programme.

Empirical research into the Beacon Scheme prior to 2004

Turning briefly to empirical evidence from prior research into the Beacon Scheme, selected material informs the organizing framework for this study. These sources, to which I was a major contributor, include empirical data generated during four years of research into the Scheme prior to the design of this study, and a further three years during which the programme of research and the present study coincided. The sources include published and unpublished reports, and journal articles and a major set of qualitative and quantitative empirical data.

The inclusion of prior research evidence into the Beacon Scheme strengthens the empirical framework, in two ways. First, the rich contextualized descriptions from qualitative research provide insights into characteristics of organizational knowledge and capacity. Second, the results of prior qualitative research assist in grounding the theoretical analysis from the literature review and the proposed empirical framework.

In an early phase of the Beacon research, 2000-2001, qualitative research into perceptions of the Scheme included telephone interviews and focus groups with local authority members and officers (n=59) from 37 local authorities (Rashman et al, 2000). The analysis of their expectations of learning identified a number of organizational capacity features. These factors included: motivation and willingness to share knowledge; intention to use knowledge for targeted improvements; orientation towards collaboration and networks; enabling conditions of trust and openness to change; internal networks; prioritisation; competence in knowledge acquisition and application (Rashman et al, 2000: Rashman and Hartley, 2002). Organizational leaders, both political and managerial, identified the opportunities of the Scheme to enhance performance of the whole organization, to improve relationships with partners and communities, and in some cases, to produce planned, strategic integration of new knowledge (Rashman and Hartley, 2002).

From subsequent phases of research it was possible to identify specific factors that appeared to influence the capacity of local authority organizations to learn and improve their performance (Rashman et al, 2005). Longitudinal in-depth case study research explored knowledge creation and transfer processes, inter-organizational learning and practical service improvements through participation in the Beacon Scheme over a three-year period from 2000 to 2003 (Downe et al, 2004; Rashman et al, 2005).

The role of local councillors[1] and their relationship with local authority managers emerged as important for setting the context and direction for strategic priorities, and learning from external sources to enhance organizational performance. Political and managerial collaboration was a feature of leadership, to assess feasibility and risk, encourage shared perspectives and an organizational climate that encouraged change and improvement. Learning models were characterized by internal and external networks spanning traditional boundaries (Rashman et al, 2005; Hartley and Rashman, 2006). Central to learning between authorities, adaption and innovation are contingent upon the presence of knowledge creation and organizational capacity. These are amongst empirically derived features that can be developed into the research framework.

Summary and model of organizational capacity

The features identified in the literature review together with relevant empirical research results on the Beacon Scheme contribute to the empirical model for this study. Analysis of organizational capacity has recognized some of the factors that constitute the existence of organizational capacity, that result from the characteristics of individuals within organizations, and from the features of the organizational system within which individuals act and interact.

[1] Local councillors are usually elected for a four-year term, each councillor representing a division or ward of their local authority. Councillors *"balance the needs and interests of their residents, voters, political parties and the council"* (IDeA, 2007). The councillor's role includes representing the ward, decision-making, policy and strategy development, overview and scrutiny, regulatory duties, community leadership and engagement.

The main features identified can be summarized as six main categories:

- Knowledge and collective learning (Cohen and Levinthal, 1990; Child and Faulkner, 1998; Tompkins, 1995; Finger and Brand, 1999; Zahra and George, 2002; Rashman and Hartley, 2002).
- Influence of the external environment on the internal organization (Newman et al, 2000; Grindle and Hilderbrand, 1995; Hou et al, 2003).
- Political and managerial leadership (Newman et al, 2000; O'Connor, 2007; Rashman et al, 2005).
- Flexible structures and inter-relationships (Grindle and Hilderbrand, 1995; Martin, 1999; Newman et al, 2000; Rashman et al, 2005).
- Internal conditions and culture that encourage learning (Grindle and Hilderbrand, 1995; Newman et al, 2000; O'Connor, 2007; Finger and Brand, 1999; Martin, 1999; Rashman and Hartley, 2002; Zahra and George, 2002; Hartley and Rashman, 2006).
- Internal systems of planning, (Cohen and Levinthal, 1990; Newman et al, 2000), managing people and performance (Grindle and Hilderbrand, 1995; Newman et al, 2000; ODPM, 2003a), and evaluation (Newman et al, 2000; Sanderson, 2001).

Addressing the main criticisms in previous studies, the proposed conceptual model to be tested empirically aims to provide an analytical framework for exploring the concept of organizational capacity in local authorities and for examining UK policy for building capacity for improvement. The UK Capacity

building programme theorises a relationship between organizational capacity, learning and performance but in common with much of the academic literature on capacity building in public services, it lacks empirical evidence. The model will be developed to explore capacity and capacity building in the Beacon Scheme and will thus have an emphasis on organizational knowledge and the sharing of best practice. It aims to provide a measure of organizational capacity in local authorities, appropriate to their context; and to consider the relationship between capacity and increases in organizational knowledge, learning and organizational improvement.

The six key elements and characteristics of organizational capacity constructed from the earlier literature review and previous empirical research that are proposed for inclusion in the empirical model are set out in the figure below (Figure 4.3). The model comprises six dimensions: Knowledge and Learning; Internal Alignment; Leadership; Structural Flexibility; Enabling Conditions; and Planning and Evaluation. Within each of the six dimensions, sub-dimensions are identified, which enable greater clarity about particular indicators or variables (De Vaus, 2002).

For a short time the sixth dimension was named Performance and Planning but analysis of the research results showed that it was better to be labelled as Planning and Evaluation. The research results show that evaluation has a greater importance for organizational capacity than performance

management. I will present the results that justify the name change in later chapters but I am giving the component the updated name now so as to reduce confusion.

The conceptual model that will be tested empirically is intended to be dynamic. First, knowledge is an underpinning element that will be explored within each of the six dimensions, in addition to specific knowledge and learning factors that comprise one of the dimensions. Second, the model posits an inter-relationship between all six constructs. It is intended to test a number of variables simultaneously.

Figure 4.3 A conceptual model of organizational capacity

Constructs and dimensions of organizational capacity					
Knowledge and learning	**Internal alignment**	**Leadership**	**Structural flexibility**	**Enabling conditions**	**Planning and evaluation**
Tacit diagnostic skills Communities of practice Acquire, assimilate and use collective knowledge & learning Knowledge of organizational functioning	Alignment of internal and external context Innovation and adaptation Sharing of good practice Elected members, managers and staff keen to learn	Political and managerial leadership and influence Vision and goals Risk-taking and challenge Leadership of change	Engagement with stakeholders, partners and users Cross-boundary collaboration Flexible boundaries and responsive structures	Culture that encourages learning and change Adaptability Decision-making Diversity Participation	Planning systems Performance management Evaluation and use of evidence Sustaining improvement

Having developed a conceptual model of organizational capacity, the chapter turns next to the research design and methods.

RESEARCH DESIGN AND METHODS

To develop the quantitative survey method, the discussion focuses on its appropriateness for this study, and practical research considerations for the study of organizational capacity and capacity building in English local authorities. There have been relatively few studies into organizational capacity in public service contexts and fewer that use longitudinal design. Indeed many of the studies in the literature review failed to operationalize conceptualizations of organizational capacity, and did not explain the relationship of organizational capacity to capacity building, or to organizational learning and performance improvement. Studies suggest that organizational capacity and capacity building have a temporal dimension (e.g. O'Connor et al, 2007; Turner and Whiteman, 2005) and therefore longitudinal research is required to assess changes in capacity over time. These are amongst important gaps in the knowledge about organizational capacity.

The design for the research study has been emergent. Initially, proposals for the research design focused on first testing theory, by application of the model, and subsequently exploring meanings as perceived by organizational actors in their organizational (local government) context. At this early stage, a combination of quantitative and qualitative methods were intended to produce extensive, large sample data through a survey questionnaire and intensive, depth study, through case studies. Organizational surveys are particularly useful for monitoring the impacts of specific programmes, understanding

organizational behaviour, monitoring change and improvement, and observation of trends (Kraut, 1996).

Researchers in social sciences and organization studies are encouraged to be *"operational pragmatists. The more flexibly scientists work or are allowed to work, the more creative their research is apt to be"* (Strauss and Corbin, 1998: 30). A shift in the design from the original plan to a repeated, large sample, longitudinal survey was influenced by a number of factors.

First, the temporal dimension of organizational capacity and capacity building found in the literature review suggests that longitudinal research methods will make a novel and valuable contribution to knowledge in this field. Organizational capacity is dynamic, therefore research methods are required that can test the interaction of variables and the proposition that capacity can be "built" or increased over time. Rather than study organizational capacity at one point in time, longitudinal research may indicate a relationship between actual and potential organizational capacity variables that change over time. Longitudinal research of sufficient scale will enable comparison between the sustained or changed capacity of two types of organization, in this case between Beacon and non-Beacon authorities.

Second, the wider research programme into the Beacon Scheme provided a pragmatic opportunity to collect longitudinal survey data. Longitudinal

research based on primary data is appropriate for the study of change processes in social, economic and political contexts (Collis and Hussey, 2003) but can be complex and difficult to conduct (Robson, 2002). An advantage of a longitudinal method is that it avoids some of the pitfalls of retrospective methods that rely on participants' recall (Robson, 2002). The ready availability of longitudinal survey data from the Beacon Scheme evaluation is attractive and minimises common potential barriers including access to data collection, time and costs constraints.

Third, quantitative social research has been associated with the positivistic paradigm but quantitative methods such as surveys can provide interpretive explanations of organizational phenomena and patterns of behaviour over time. Interpretation depends upon the analysis of patterns of relationships in a substantial number of variables, which may be combined with data from previous studies, theoretical frameworks, and contextual knowledge (Robson, 2002: 235). Organizational surveys may be used for diagnostic purposes to assess behavioural changes during periods of organizational transition and change, for example (Burke et al, 1996).

Fourth, as a relatively experienced qualitative researcher, the focus on the survey method will extend my knowledge of quantitative research and of statistical analysis, and thus the proposed study will contribute to my

knowledge about organizational capacity through longitudinal survey research which is quantitative and may provide interpretive explanations.

THE SURVEY

The survey design is grounded in a theoretical framework (Collis and Hussey, 2003; Robson, 2002), comprising inter-related theories and previous empirical research into the Beacon Scheme. The research questions have been used to specify the type of organizations that are of particular interest in exploring organizational capacity and capacity building in a local government context.

The purpose of the survey is to test the theoretical constructs in the model of organizational capacity and to evaluate empirically the relationships between the constructs and the variables. The survey is intended to investigate differences in organizational variables that can explain the extent of organizational capacity in two types of English local authorities: Beacon councils and non-Beacon councils. The purpose of a longitudinal survey is to evaluate changes over time in the variables which might indicate organizational capacity building in local authorities.

The rationale for selecting a repeated measures survey method includes the appropriateness of organizational surveys for monitoring the impacts of specific programmes and practices, observation of trends, understanding organizational behaviour, and monitoring organizational change and

improvement (Kraut, 1996: 150). Self-administered or postal surveys may be the simplest means to acquire large amounts of data about a large group of people (Robson, 2002: 234). Potential disadvantages may include a low response rate, ambiguities in the survey questions and response bias. Measures must be designed that will be suitable for use on several occasions with the same group of respondents (Robson, 2002: 161) and that minimize threats to validity of the evidence (Robson, 2002: 106).

Of the empirical studies reviewed, Newman et al's (2000) framework alone is sufficiently robust (as explained in the literature review) and is of theoretical and methodological relevance to the aims of this current research. Four theoretical dimensions (internal focus; external focus; flexibility; control) were adapted in a survey questionnaire to gather evidence of managers' perceptions of local authority change capacity. The Change Capacity Questionnaire was developed from previous research by Newman and had been applied extensively in other public service contexts (2000: 118). The questionnaire contains a set of 48 questions, which gather respondents' perceptions of their local authority's strategic orientation to change on a five-point rating scale. Question design features a series of statements with which managers were asked whether they agreed or disagreed. The questions assume a strategic level of knowledge of organizational functioning and include both short and relatively long, complex statements.

Newman's Change Capacity Questionnaire was targeted at middle to senior managers, typically heads of service, and was intended to be distributed to ten managers in each council, in a sample of 120 councils (31% of the total population of 386). As the aim of the research was to explore strategic patterns of change capacity in individual councils, questionnaire data were only included from those 47 authorities that returned a minimum of seven questionnaires. This represented an overall 39% response rate from the sample of 120 councils.

The results of their research indicated different patterns of local authority capacity explained by environmental, institutional, organizational and cultural factors. Newman et al's (2000) study provides a basis for the research design for this present study into organizational capacity. However, their survey research has a number of limitations: it focused on change capacity and did not examine all aspects of organizational capacity; it did not give sufficient attention to processes of knowledge management; it pre-dates UK government policy for capacity building; the research on change capacity was derived from evidence from only 47 local authorities from a total population of 386; and it lacked a longitudinal element. Amongst the limitations of the present study, Newman et al's (2000) is the only previous study which provides a conceptual model and a useful instrument that can be modified for measurement of organizational capacity; and there is a consequent need to undertake considerable original research design.

Unit of analysis

One of the considerations for the study is the unit of analysis for the cases. Organizational capacity building is a multi-level concept that may be operationalized at every level from the global to the individual. An appreciation of the possible range of units of analysis can be useful to formulate research questions, highlight relevant data, and can strengthen confidence in organizational research results (De Vaus, 2002). The proposed unit of analysis for this study is the organization, as perceived and explained by individuals who give meaning to processes of organizational knowledge creation and capacity building. Alternatively, it may be a departmental service or unit within a local authority organization. The unit of analysis may need to be redefined during the course of the research (Gabriel and Griffiths, 2004).

The independent variables

In this study, the independent variable is the type of council, and in particular a comparison is made between those councils that have and those that have not been awarded Beacon status, i.e. Beacon councils versus non-Beacon councils. In organizational research, the independent variable may have more than one level, each of which represents a different category (Dewberry, 2004: 110). The main contrast in the research design is between two types of council. This study of organizational capacity has a repeated measures design and is intended to measure changes in capacity over time between

Beacon and non-Beacon councils; and test the conceptual model of organizational capacity.

The characteristics of organizational capacity and capacity building are focused at the level of individual behaviours and perceptions within an organization. The survey will be conducted at the individual level, and a maximum of six individual senior respondents will be asked about their perceptions of their council's performance and capacity.

There are three different respondent sub-groups who collectively constitute a senior group within each council: strategic political (one respondent), strategic manager (one respondent), and operational manager (four respondents). They may provide contrasts of perceptions between different respondent groups. These strategic/managerial respondents are most likely to have access to a range of information about their organizational goals and policies; performance of a specific service; and of their council as a whole. Senior managers are most likely to be able to make judgements about current and expected organizational performance and factors which contribute to changes and improvements. In addition, senior politicians and managers are likely to be engaged and have extensive experience of working with partner agencies, leadership of change and search for knowledge of excellent practice.

A multi-respondent survey is relatively unusual (Walker and Boyne, 2006) but is appropriate and valuable for this study. In contrast with most surveys where there is a single respondent, or a stratified sample of respondents, multi-respondent surveys can investigate a specific range of contrasting perceptions within a single organization, and can compare the responses across the population of organizations according to respondent type. Substantial prior knowledge is required of the type of organization, how it functions, and its internal decision-making structures (Higgs and Ashworth, 1996) to design a multi-respondent survey. In this study, prior understanding of the different roles, priorities, responsibilities, and decision-making within a local authority context informed the selection of the three respondent groups.

The dependent variables

Organizational capacity will be measured using a set of 46 items corresponding to the six dimensions that were developed into the empirical model. Each of the six dimensions needs to be refined into measurable constructs which are relevant to the behaviours of organizational members.

Given the importance of Newman et al's (2000: 134) Change Capacity Questionnaire in which a series of 48 behaviourally based statements were adopted, this present study will pursue a similar approach to research into organizational capacity. Their instrument was designed to be distributed to senior managers and contained statements regarding organizational values,

practices, processes and culture; management and leadership attitudes, values and behaviours; staff behaviours; and external influences. Amongst limitations, very few statements referred to elected members and a number of statements were long, complex and double-headed.

For the purpose of this study, statements will be devised that adopt a similar style to those of Newman et al's (2000) study, using simple language and terminology relevant and familiar to managers in a local authority context. The researcher's understanding of appropriate language has been acquired through substantial experience as a local government manager and several years of research within local government.

The wording of individual statements is intended to be unambiguous, short, user-friendly, mutually exclusive and purposeful (Fink, 1995a). Each statement is intended to explore a specific variable within each of the six dimensions, as follows: knowledge and learning (eight statements); internal alignment (seven statements); leadership (eight statements); structural flexibility (six statements); enabling conditions (seven statements); and planning and evaluation (ten statements). The structure of the 46 component variables is laid out in the following figure (4.4) and the questions are shown in the questionnaires in Appendix 2 (2004 survey) and Appendix 3 (2006 survey).

The development of the conceptual framework into the questionnaire

The development of the conceptual framework into the questionnaire design followed a series of structured stages, so as to tailor the items within the questionnaire and the questionnaire as a whole to its particular purpose (Rust and Golombok, 1999).

The first stage is the creation of a blueprint comprising a grid structure which specifies the content areas on the horizontal axis and manifestations on the vertical axis. The content areas must be *"clear cut"* and the manifestations may be behavioural, cognitive, attitudinal, motivational and affective (Rust and Golombok, 1999: 197). Each column represents a content area and the manifestations are constructed along the rows: thus each cell in the blueprint forms a basis for writing individual items for the questionnaire. The recommended number of cells is between 16 and 25 to achieve a balance between breadth and manageability (Rust and Golombok, 1999). In this study there are six content areas and seven manifestations, resulting in 42 cells (Figure 4.4).

The next step in the blueprint is deciding whether to assign weightings to the cells and the total number of items required to pilot the questionnaire. In this study it was decided not to assign weightings to any specific content area. An alternative approach was taken in which the number of items per cell was derived from the conceptual model, resulting in four cells which contained

more than one item. In each of these four cells there were two or three related items.

Figure 4.4 Structure of the component content areas and manifestations in the study's conceptual model of organizational capacity

	CONTENT AREAS Dimensions and Variables of Organizational Capacity					
	Knowledge and learning	**Internal alignment**	**Leadership**	**Structural flexibility**	**Enabling conditions**	**Planning and evaluation**
MANIFESTATIONS	Identify learning gaps	Learning is valued	Challenge Risk-taking	Flexible internal boundaries	Self management	Plan to acquire knowledge
	Participate in knowledge networks	Innovation and adaptation	Managers demonstrate improvement	Engage with stakeholders, partners, users	Participative decisions	Plan and implement change
	Identify sources of knowledge	Ease of contributing new ideas	Staff role in change and improvement	Decisions involve partners	Face to face communication	Prepare for learning
	Acquire external knowledge	Pride in council good practice	Managers encourage sharing ideas	Joint working with other agencies	Range of learning opportunities	Improve without more resources
	Seek new ideas	Sharing of good practice	Change champions	New forms of service design	Diverse opinions	Performance management
	Support learning needs	Ease of trying new ideas	Leadership of cultural change	Collaboration	Staff involved in change	Test ideas Evaluate new initiatives
	Access information Use data	Keen to learn	Positive political and managerial aims		Team work	Apply learning Integrate innovation Build on past success
No of items	8	7	8	6	7	10

The second stage of the structured approach to questionnaire design was the selection of types of item, between alternate choice items, multiple choice items and rating scale items. The rating scale item was selected as this type of item is suited to person-based, attitude surveys and may help respondents to express their perceptions more precisely than with alternate choice items (Rust and Golombok, 1999: 203).

Writing items is the third stage of the structured approach. Items were written by the researcher to correspond with the blueprint and individual cells, taking care to write each item clearly, as briefly as possible, focused on only one statement or question, (Rust and Golombok, 1999: 204), using conventional language suited to the characteristics of respondents (Fink, 1995a). Further consideration was given to writing items to minimise tendencies amongst respondents towards indecisiveness, acquiescence, extreme responses, and socially desirable responses (Rust and Golombok, 1999: 204). The researcher decided not to reverse some of the items, first, to avoid confusion by respondents and second, to reduce confusion when coding and analysing the data.

The writing of items underwent a number of iterations to rewrite items and discard items before testing the pilot design of items with research colleagues. Where possible the statements were shortened and steps taken to avoid jargon and technical expressions (Fink, 1995a).

Fourth, the structured approach was incorporated into the design of the questionnaire. The researcher sought expert advice and paid attention to clarity of layout, instructions, grouping of similar items together, font size and type, spacing, number of pages, and the scoring key (Rust and Golombok, 1999).

A five-point Likert rating scale, the most common for this type of organizational attitude survey (Robson, 2002), was developed for all 46 constructs, or items. 5- to 7- point rating scales are suitable for most surveys that use ordered responses (Fink, 1995a), are relatively easy to devise and can appear attractive to respondents (Robson, 2002). For person-based questionnaires a continuous scale of scores is recommended (Rust and Golombok, 1999). The categorization scale used was relatively straightforward, with 1 indicating limited capacity; 3 moderate capacity; and 5 extensive capacity. The design of the scale was intended to be balanced, avoiding a neutral response (Fink, 1995a).

An important aspect of the research design is the longitudinal element. First, the organizational capacity survey gathers data at two points in time, two years apart, which is an appropriate interval for the stability of measures (Fink, 1995) to compare results between local authorities. Second, in the 2004 survey, the 46 items will be tested twice in that the survey requests

respondents to indicate their perception of their local authority's *current* capacity; and their perception of *expected* capacity in two years time. This design is intended to yield more information about organizational change processes and in particular to increase insights into expected and actual differences among cases. This approach aims to identify temporal patterns and to test predictions that the extent of organizational capacity will increase or decrease over time between the first survey and the second survey. The form of longitudinal study may be described as "time series" because there may or may not be exactly the same respondents in each of the two surveys.

Population and sample

As previously stated in this chapter, the research questions inform the selection of the type of organization to be studied in the research: English local authorities. The research questions in the study are focused mainly at the organizational level of analysis and intend to include and compare Beacon and non-Beacon local authorities.

Amongst considerations for the identification of the population and sample for this study is the diversity of local authority organizations in terms of size and type. There are five types of local authority in England: county councils, district councils, metropolitan authorities, unitary councils, and London boroughs. There is a considerable range in terms of geographical size, scale of financial resources, extent of services and the number of employees

between for example, large single tier and county councils, and relatively small, second tier district councils. Single tier councils typically have responsibility for a wider range of local public services than two-tier councils. District councils overall are usually smaller than all other types of council.

A second consideration is the need for inclusion of both Beacon and non-Beacon councils. To increase the likelihood of a representative sample, by both categories of council, the survey will need to target a substantial proportion of the population of local councils. In this study it was considered feasible to survey the entire population of 388[2] local authorities and therefore sampling is unnecessary. However, survey administration may need to take appropriate measures to ensure that returns represent the spectrum of the five types of council.

Sources of data

Senior managers and elected members (local councillors) from all English local authorities are the sources of data included in the survey. For the 2004 survey, councils that gain a Beacon Award in or prior to, Round 5 will be categorized as Beacon councils. Similarly, for the 2006 survey, councils that gain an award in or prior to, Round 7 will be categorized as Beacons. Non-Beacon councils are categorised for survey purposes as those that had not received an award in the relevant Round, whether they had applied or not.

[2] There is some discrepancy in the population of councils which has been treated here as 386, given the minute size of the City of London council, and the Isles of Scilly council, which are unitary councils.

The surveys will include both Beacons and non-Beacons and all five types of local authority described above.

Survey respondents are senior managers and elected members who are most likely to be able to make judgements about current and expected organizational performance and factors which contribute to changes and improvements at the organizational level. The respondents are of three main types, which enable both political and managerial perspectives to be examined, and corporate and service perspectives: strategic political, a senior elected member with a portfolio responsibility for one of the selected themes or more generally for performance improvement; strategic managerial, the chief executive or head of corporate policy; and service/operational managerial, a service manager in one of four selected themes. Six respondents will be sought from each authority (Figure 4.5).

Figure 4.5 The sample and sources for the national survey of English local authorities

All English local authorities
388 Local authorities

Five types of local authority
34 County councils; 238 District councils; 47 Unitary authorities; 36 Metropolitan authorities; 33 London boroughs

Beacon councils
Rounds 1 to 5 of the Beacon Scheme: 144 Beacon and 244 non-Beacon councils
Rounds 1 to 7 of the Beacon Scheme: 184 Beacon and 204 non-Beacon councils

Sample size = 388
388 sources
Six respondents per authority. 2328 potential recipients

The data will be drawn from two national surveys of English local authorities, the first conducted in 2004 and the second in 2006 (Figure 4.6).

Figure 4.6 Data sources, sample and respondents for the national survey of English local authorities

Research method	Year	Sample	Respondents 6 per authority	Report reference
National Survey	2004 (time 1)	All English local authorities	Strategic managerial n=1 Strategic political n=1 Service manager n=4	Rashman and Hartley (2004)
National Survey	2006 (time 2)	All English local authorities	Strategic managerial n=1 Strategic political n=1 Service manager n=4	Rashman and Hartley (2006b)

Amongst the drawbacks in data collection through a postal questionnaire is the possibility of non-response bias (Collis and Hussey, 2003). One potential difficulty may be the questionnaire reaching the appropriate respondent. There is a diversity of role titles and descriptions within local government for senior managers and officers who perform a similar role. There are both single and two tier local councils, with the result that not all councils provide the same range of services. To increase internal validity, there needs to be an equal chance of selected survey respondents being included (Fink, 1995b).

Non-sampling errors can occur because of ambiguity in the definition of the target population and inaccuracies in survey design and measurement (Fink,

1995b). *"Definitions of key survey concepts should be based on the best available theory and practice"* (Fink, 1995b: 26). All reasonable steps were taken to define the population of all English local authorities, and the sub-groups of respondents, and to base the design of the national surveys on sound, relevant theoretical concepts and prior empirical research.

A second possible source of non-sampling bias is non-response, in which eligible participants fail to participate or fail to answer all survey questions (Fink, 1995b). To encourage targeted survey respondents being included and to increase the probability that the target and sample did not differ statistically on selected variables, the research team incorporated a range of questionnaire design and administration methods. These methods included: a cover letter and questionnaire design intended for specific respondent groups; internal distribution of questionnaires by each local authority; recording of named individuals in each authority to aid progress chasing of questionnaire returns; and protection of confidentiality. Analysis of the response rates in 2004 and 2006 demonstrated that the survey respondents were representative of all types of local authority and of groups of respondents, although the response rates of elected members were quite low (see Chapter 5, Tables 5.1; 5.2; and 5.3).

One potential problem particular to public organizations in general is the timing of research to avoid bias due to political and social factors, such as

alterations in policies (Fink, 1995b: 26). In local government, it is important to avoid periods of political activity, such as local and national elections, when a restrictive period of "purdah" is imposed by central government on all research which has been funded by central government. The distribution and returns of the national survey questionnaires were carefully timed to avoid an overlap with local elections in May 2004 and 2006.

A further potential difficulty is achieving questionnaire returns from elected members. Targetting this group is important due to their strategic organizational role and with many of them being part-time and having numerous demands on their time, elected members may have ad hoc patterns of work, and may lack a formal place of work for the purpose of their local political role. Elected members are only infrequently included in surveys of local government and therefore it is a novel and valuable contribution that they are included here, despite difficulties.

Administrative measures to address elected members' lack of familiarity and possible reluctance to complete the survey questionnaire will include a "respondent specific" design and internal distribution of questionnaires within each local authority. An additional reason for a multi-respondent method is to boost the rate of returns by distribution of the task of completing the questionnaire to several people in different roles and locations within each organization.

Therefore steps need to be taken to clarify the possible definitions of the role of targeted respondent groups and to employ a range of approaches to encourage responses. Employee surveys that seek perceptions of the organization may engender cynicism or distrust, so measures must be taken to increase participation by for example, choice of familiar language, clarity of research purpose and instructions, confidentiality of the responses, length of questions, and usefulness of the research results. Survey administration will need to include approaches which seek to minimise non-response and to encourage representation of all five types of local authority and of both Beacon and non-Beacon authorities, for example: targeted, personal reminders to a named individual; careful tracking of responses; repeat reminders; and targeted phone calls to named individuals within each local authority.

The pilot study

In a large scale study, pilot testing is essential to identify possible flaws in the research design, including ambiguities in questions and rubric, choice of appropriate language, unnecessary duplication, and questionnaire length. In addition to technical aspects of the research administration, it is important that the research questions will result in meaningful data related to the conceptual framework of organizational capacity and the context of local government.

The pilot questionnaire was pre-tested and refined with the assistance of six senior managers working in similar roles to those of the targeted respondents in local authorities. These individuals included strategic and service managers of both Beacon and non-Beacon authorities. The pilot included adaptation of the checklist for eliminating questions to increase validity (Collis and Hussey, 2003) and to ensure that questions correspond with the explanation, purpose and relevance of the study to respondents. Item analysis included aspects of facility and discrimination, to assess whether different respondents provide different responses (Rust and Golombok, 1999) and the item should be included or discarded. Beacon programme researchers and others provided feedback on the pilot design. No items were discarded. Review of the pilot questionnaire confirmed that the questions were meaningful and clear and led to modifications in the questionnaire instructions, item statements and in the drafting of the cover letter, explaining the purpose of the questionnaire and guaranteeing its confidentiality.

Data collection procedures

The extensive, multi-respondent survey questionnaire was devised to test the constructs in the conceptual framework and to evaluate empirically the relationships between constructs and variables in the framework (see Appendix 2 and Appendix 3). The organizational capacity survey forms a separate section of the wider national survey that is part of the Beacon Scheme evaluation. The Beacon Scheme evaluation is a longitudinal research

project, taking Round 5 of the Scheme as the baseline year. During the period of the research (2003-2006), two national surveys were conducted in two time periods, two years apart i.e. 2004 and 2006. The capacity questions contained within these surveys provided data about the *impacts* of the Beacon Scheme, whilst the longitudinal elements of the evaluation allowed for analysis of the *changes* in organizational learning, organizational capacity, and improvement processes.

The two national surveys returned to the population base of 388 English local authorities, so they did not simply sample from those who responded in the previous survey. The first national survey was conducted between March and May 2004 and the second national survey was conducted between March and May 2006. The analyses are able to match the authorities longitudinally (though not the respondents).

The actual administration, implementation and chasing up was conducted by an experienced market research company, IFF Research, who also advised on final layout, and arranged printing of the questionnaires, due to their experience. The research director for the Warwick research on the Beacon Scheme and this researcher ran a tender exercise and selected IFF Research against specific criteria. Part of the decision to select IFF Research was that the company had conducted major national organizational surveys, for

example the Workplace Employment Relations Survey (WERS) and many in the Warwick Institute for Employment Research (IER).

Delimitation of the surveys of organizational capacity

The research team at Warwick Business School was commissioned to undertake a longitudinal evaluation of the Beacon Scheme 2003 - 2006. Within the overall framework of the research design and concepts, I took responsibility for a number of research methods, including the systematic review of organizational learning, knowledge and capacity, and the national surveys of all English local authorities.

The researcher took overall responsibility for the design and conducting the two national surveys of the Beacon Scheme in 2004 and 2006, under the supervision of the research director, who was also the doctoral supervisor, when needed. This included the lead responsibility for: formulation of research questions; design of the survey questionnaires with over 40 survey questions; structure of items, scales, rubric, and sequencing of questions; sampling; survey administration; analysis; and reporting. With prior agreement of the research team, the organizational capacity questions form a separate section of the national surveys of the Beacon Scheme.

Questionnaire administration and return rates

The researcher managed the overall administration of both national surveys of all English local authorities (2004 and 2006). Due to the extensive scale of the national surveys, many aspects of the administration were sub-contracted to the experienced independent market research company (IFF Research), under the researcher's direct management. For example, the Warwick research team specified expected response rates of approximately 50% in each survey and this researcher liaised regularly with a senior representative of IFF Research to check progress, and to resolve some initial problems related to achieving this expected response rate in the 2004 survey. The researcher negotiated an extended deadline with the government department (ODPM) for receipt of the survey returns, and IFF staff undertook targeted reminders and follow-ups with named individuals in those authorities that had not returned completed questionnaires.

Administration incorporated a self-completion methodology within which named individuals in local authorities facilitated the internal administration and distribution of a sample of up to six questionnaires. In the first instance, the chief executive's office in all 388 English authorities received a mailing containing a letter of introduction to the survey and six self-completion questionnaires (a total of 2322 questionnaires).

Questionnaire design was “respondent specific” to encourage responses and distinguish different respondent sub-groups. There were three versions of the questionnaire for these three types of respondent. Although broadly the same, there was some variation in questions and question numbering between these three versions.

The cover letter (Appendix 4 and Appendix 5) for each local authority was drafted by the researcher and the research director. The cover letter was addressed to a named individual, usually the Chief Executive or Head of Policy, explaining: the purpose of the survey; its importance for policy influence; requesting the help of the authority in its completion; the confidential nature of the questionnaire; an explanation of the enclosed pack of six questionnaires; the intended distribution of the six copies of the questionnaire; an internal tracking form for internal responses; the return address; and completion date. Included with the cover letter and the six questionnaires was a form to track surveys internally, which local authorities were asked to complete and copy to IFF research, so that it was possible to monitor completion of questionnaires centrally.

In addition, each of the six questionnaires had a similar cover letter, explaining the purpose of the survey, its importance for policy influence; the specific service theme and /or role of the respondent for whom the version of

the questionnaire was intended; confidentiality; the return address; completion date; and contact details for queries.

One questionnaire was intended to be completed by the Chief Executive (or his / her representative, usually Head of Policy) and a second was to be distributed to a senior Elected Member, with responsibility for improvement and/or development. Together, these responses describe a corporate or strategic perspective of the local authority. The remaining questionnaires were intended to examine an operational perspective and were distributed to four heads of service in the following themes: Benefits Administration; Better Local Public Transport; Crime and Disorder Partnerships; Early Years and Childcare.

The distribution of questionnaires was conducted internally within each authority because it was considered preferable to engage the influence of a senior corporate officer to promote the survey; the senior corporate officer would be able to identify the targeted respondents by role, which may be problematic due to different structures in different councils; the senior corporate officer would be able to identify the targeted respondents by name, which may be otherwise difficult to ascertain; and this route encouraged a more systematic approach to returns from an individual authority. The survey questionnaires were distributed internally and not all the services are provided

by every council, therefore it is not possible to determine the total number of questionnaires distributed.

The four service themes were selected by the Warwick research team in conjunction with CLG and IDeA, from the ten Round Five themes of the Beacon Scheme. The criteria for selection of themes included: different types of service; availability of secondary data on performance measures; extent of cross-cutting and partnership working; established and emergent policy objectives; and the length of time expected to achieve policy outcomes (Figure 4.7). The four theme areas allowed comparison of different types of policy that cover a range of local government activity (Radnor et al, 2004).

Figure 4.7 Availability of data in four Round Five Beacon themes.
Source: Radnor et al (2004)

Level of data available			
Policy Horizon		Authority	Regional
	Short	Benefits Administration	Early Years
	Long	Crime and Disorder	Transport

The initial mailing was sent out to authorities in the week commencing March 15th 2004. In the two months that followed, IFF Research made reminder calls to all authorities that had not returned any questionnaires in order to maximise response rates, including to individual heads of service and elected members to whom the questionnaires had been distributed. Telephone calls were accompanied by e-mails and re-issues of the questionnaires in both hard-copy and electronic formats.

IFF Research implemented tracking procedures and processed the returns on receipt of the completed questionnaires. Under the supervision of a dedicated project manager, IFF Research officers logged returns and converted the data from the questionnaires into numeric results which were entered into electronic files, with the exception of a small number of open questions, which were processed manually.

This researcher negotiated amendments and variations in the survey arrangements with IFF Research, on behalf of the Warwick research team. The IFF project manager brought to this researcher's attention a number of inconsistencies, inaccuracies and uncertainties regarding the data, which were usually resolved jointly, combining IFF expertise in data management with the researcher's knowledge of the research objectives, design and the research context.

Data coding and analysis was initially conducted by IFF Research and completed by the Warwick research team. The dedicated IFF project manager managed the editing, coding and data entry. Under the direction of this researcher, IFF Research undertook statistical analyses of the data and produced the initial survey report, and revisions to the report, including tables and graphs, for each of the two national surveys. Subsequently, this

researcher, on behalf of the Warwick research team, undertook production of the final reports in each of the national surveys.

Learning was implemented from the experience of managing the 2004 national survey, so as to avoid repeating some of the pitfalls of managing a large, complex survey questionnaire in 2006. For example, at the start of the 2006 national survey, a project plan was agreed between the Warwick research team and IFF research which determined aspects of the survey design and logistics, including milestones and deadlines.

Response rates in the two national surveys are described in Chapter Five.

RELIABILITY AND VALIDITY OF THE INSTRUMENT AND THE DATA

Reliability

Reliability refers to the consistency of a measure to reflect the construct it is intended to measure. Where measures are designed to test dimensions of an underlying concept, it is usual to calculate reliability estimates for each of the constituent dimensions, as well as the overall construct.

The 46 item questionnaire used in this study was designed to measure six dimensions of organizational capacity: internal alignment (seven statements); leadership (eight statements); structural flexibility (six statements); knowledge and learning (eight statements); enabling conditions (seven statements); and

planning and evaluation (ten statements). The survey questionnaire was distributed to all 388 English local authorities in 2004 and a similar distribution was repeated in 2006. In 2004, 448 responses were received from senior managers and elected members in local authorities.

There are several ways to test reliability, which include factor analysis, test-retest reliability, parallel forms, split-half reliability and Cronbach's alpha, of which Cronbach's alpha has a particular advantage (Field, 2005). It is frequently used when questionnaires are developed for organizational research, as it is *"a statistic used to calculate the reliability of a measurement scale"* (Dewberry, 2004: 320) and it can examine the reliability of sub-scales as well as the overall reliability of a questionnaire (Field, 2005).

The alpha reliability scores were high (Table 4.1). Cronbach's alpha, which is appropriate for testing how reliably questionnaires in organizational research measure a particular dimension (Dewberry, 2004) was used to calculate the reliability of each of the six component measurement scales of organizational capacity. An alpha coefficient of .70 is the minimum acceptable level and .80 is seen as a good value (Field, 2005: 671).

Table 4.1 Reliability of organizational capacity multiple item scales (Cronbach's alpha)

Sub-scales and Variables	Items	Cases	Alpha
Internal alignment variables	7	372	.852
Leadership variables	8	362	.869
Structural flexibility variables	6	361	.771
Knowledge and learning variables	8	357	.858
Enabling conditions variables	7	358	.836
Planning and evaluation variables	10	339	.897

The alpha reliability for the scales were: internal alignment .852; leadership .869; structural flexibility .771; knowledge and learning .858; enabling conditions .836; planning and evaluation .897. The values of the six dimensions range between .771 and .897, indicating a reasonable to good degree of reliability. None of the values was lower than .77. The results of the analysis confirmed that none of the items needed to be dropped from any of the scales. However, one limitation of the analysis is that high reliability may indicate that the items only constitute a partial aspect of each construct (Dewberry, 2004) because the items may relate to only a small component of the construct of organizational capacity and may have a high Cronbach alpha coefficient, at the expense of a valid measure of the complete domain of organizational capacity.

Factor analysis is often used in combination with Cronbach's alpha to develop questionnaires. Factor analysis can be used to confirm that sets of variables correlate well with each other and that the questionnaire measures the variables it is intended to measure, and Cronbach's alpha may be used to examine the reliability of each particular dimension or set of items within the questionnaire (Dewberry, 2004). Factor analysis was conducted for this

present study and the results of factor analysis are presented in the following chapter on the research results.

Validity

Validity is concerned with the extent to which a measure in reality measures the concept it claims to measure and whether the research results accurately represent perceptions or events in the study. In this study, the question is whether the interpretation of respondents' answers to the survey questionnaires accurately reflects their perceptions of their organization's capacity. Several types of validity are usually measured when assessing the accuracy of a survey instrument: face, content, criterion and construct (Litwin, 1995).

Face validity relates to the appearance of the questionnaire and a *"casual assessment of item appropriateness"* (Litwin, 1995: 35) to respondents. It is the least scientific assessment of validity. Content validity is a subjective assessment of the relationship between the content of the survey questionnaire and its purpose. It is not a scientific measure but it provides a sound basis *"on which to build a methodologically rigorous assessment of a survey instrument's validity"* (ibid). Criterion-related validity is a measure of the relationship between one instrument and a criterion measure or another instrument, that is relevant reliable and available (Rust and Golombok, 1999). The most valuable assessment of a survey questionnaire is construct validity,

which is a measure of how practically meaningful the instrument is, but it is *"difficult to understand, to measure, and to report"* (Litwin, 1995).

At the least, the measures should have face validity. This has been confirmed by the construction of the blueprint, item analysis and pilot testing of the questionnaire items. The content validity of the 46 items in the organizational capacity survey has been tested by adopting a systematic approach to the pilot testing of the survey to identify errors and ambiguities, with experienced senior managers and research colleagues as reviewers. The checklist included questions about: understanding of question items; vocabulary and terminology; willingness to answer questions; and relevance of question items (Collis and Hussey, 2003: 187; Litwin, 1995: 68). Appropriate amendments were made to the survey design following pilot testing.

Construct validity is difficult to determine and usually occurs only after years of use of the instrument (Litwin, 1995). Factor analysis is one way to address construct validity, as it can be used to examine whether items in a survey questionnaire measure the intended set of dimensions and *"to explore the factor structure in a set of data"* (Dewberry, 2004: 305).

One potential risk of the use of attitudinal rating scales is subjective bias amongst groups of respondents. For example, the halo effect (Nisbett and Wilson, 1977) may unconsciously distort rater judgments when asking

respondents from relatively successful organizations to comment on their own success. Rosenzweig (2007:7) argues that such methodological threats to validity may be addressed by longitudinal design and caution about interpretation of correlation and causality. *"To have any meaningful inference about causality, it's important to compare successful entities with less successful ones."* This research design compares better-performing and lower-performing councils. Evidence from the wider programme of Beacon research suggests that the halo effect is possible but less likely to result from Beacon status (Rashman et al, 2006:26). In the 2004 and 2006 surveys, respondents perceived that CPA had the most significant impact on the view of their authority (mean 4.07), compared with Beacon status (mean 2.87) which had the least perceived impact of twelve measures of performance.

A number of potential threats to internal validity within the context of the study, and the selection of respondent groups, have been identified and strategies put in place to address them within the design and administration of the survey. This approach to minimizing particular threats to validity is aided by a deep knowledge and experience (Robson, 2002: 104) of the local government environment. For example: familiarity with many of the organizational processes in context helps to design the writing of individual items appropriate to the respondent groups; contextual knowledge about the role of elected members helps to incorporate into the design of items their organizational importance for organizational capacity and improvement; and knowledge of

common patterns of internal organizational structures and communications in local authorities informs the administrative approach to distribution of survey questionnaires. Correlation and causality will be approached with caution.

SUMMARY AND CONCLUSIONS

The research strategy, methods and techniques for this study have been developed based on the critical review of the literature and prior empirical studies on organizational capacity. The research questions and research design are intended to complement previous studies and to address significant gaps and weaknesses found in previous studies on organizational capacity and capacity building in public services and in local government.

Rather than be constrained by the traditional associations, the research design will combine an interpretivist approach and quantitative methods to develop and interpret research into capacity in the public service context. Studies suggest that organizational capacity and capacity building have a temporal dimension and therefore longitudinal survey research is appropriate to assess changes in capacity over time. The empirical framework of six component dimensions of organizational capacity has been carefully constructed, based on logical argument, grounded in the literature review and prior empirical research in local government. It may be possible to apply patterns of interactions and conclusions drawn from the results of the study

into all English local authorities to a greater understanding of organizational capacity in a wide range of public organizations and to other contexts.

The research design and methods are intended to make novel contributions to knowledge, in particular through the construction of the conceptual model of organizational capacity; the structured development of the conceptual model into the questionnaire design; and the multi-respondent, longitudinal survey research into organizational capacity all English local authorities.

The aim of the research strategy is to collect a body of data, information and knowledge, that helps to explain the relationship between conceptualizations of organizational capacity and the public organizational context, and whether capacity may be associated with better performing public organizations. There are inherent weaknesses in the selected approach, which have been acknowledged. The results of the analyses will be presented in the next chapter.

CHAPTER FIVE: SURVEY RESULTS

INTRODUCTION

The results strategy is presented in two chapters. The research focus of this study is the examination and development of theoretical ideas tested through empirical work that will *contribute to knowledge about the concept of organizational capacity in public organizations and how capacity can be developed to improve public services.*

Chapter Five addresses the first two research questions, of which the first is: *What do we mean by organizational capacity and can we build a plausible model of organizational capacity?* This chapter tests the conceptual model of organizational capacity that the researcher developed in Chapter Four. The second research question considers the application of the theoretical model in the context of UK public organizations and relates to the *relationship between conceptualizations of organizational capacity and the public organizational context*. Is the instrument that has been developed from the model of organizational capacity sufficiently reliable, valid and relevant for the purpose of examining organizational capacity in public organizations, and in particular local authorities?

Chapter Five begins to answer the third research question, *what is the extent of organizational capacity in English local authorities?* It presents and summarizes the initial research results of differences in organizational

variables that can explain the extent of organizational capacity in English local authorities.

Chapter Six will provide an analysis and interpretation of the research results in detail. It will examine subsequent research questions into the extent of organizational capacity in high performing and low performing councils; and will examine changes over time which might explain an increase in organizational capacity.

This chapter tests the conceptual model and presents the survey results, including the descriptive statistics for the two national surveys of organizational capacity in all English local authorities. The frequency distributions provide a useful preliminary analysis and summary of the survey results in two ways. First, the descriptive statistics provide information about the perceptions of organizational capacity by all local authorities in each of the two national surveys. Second, the exploratory data analysis will help to guide decisions about further confirmatory analysis of relationships within the data, as well as identify aspects of the data that need to be treated with caution.

Having developed the model of organizational capacity and capacity building, it is important to assess its validity and reliability, before it can be applied to explore organizational capacity in the context of UK public organizations. The preceding Chapter Four set out the development of the conceptual

framework, research strategy and methods for the empirical research into organizational capacity. It described the construction of a theoretical framework capable of being operationalized into a measurement tool, suitable for the UK public service context.

Before turning to the frequencies, the following section of this chapter describes the testing of the conceptual model using factor analysis of the 46 items on organizational capacity, within the survey questionnaire. This assessment helps to confirm the plausibility of the conceptual model as the basis for empirical research.

TESTING THE CONCEPTUAL MODEL

An important first step in the analysis is to test the conceptual model of organizational capacity that the researcher systematically developed as six component content areas and 46 items (Figure 4.4), and subsequently into the survey instrument (Appendix 2 and Appendix 3). Factor analysis is the appropriate statistical technique for this purpose (Dewberry, 2004; Rust and Golombok, 1999) because it is suited to examination of associations between questionnaire items and is of particular use in psychometric test construction (Rust and Golombok, 1999).

Factor analysis as a statistical technique to test the model

Factor analysis is a statistical technique that identifies sets of inter-correlated items, and that has been applied to, and is particularly useful for the field of psychology and test construction (Dewberry, 2004) because it *"provide[s] a useful way for workers in the area to make visual representations of the scales they are using…and [can] be very informative about the underlying structure of a set of scores"* (Rust and Golombok, 1999: 107). The technique uses a process of factor extraction, which measures the degree of inter-correlation between variables, in a correlation matrix. Correlations between factors are referred to as factor loadings. Extracted factors are rotated to provide the researcher with the best position of the factors to interpret the results of factor analysis.

Within organizational research, factor analysis has a range of applications, which are relevant to this present study. These applications include the reduction of a large number of correlated variables to a smaller set of variables; identifying the basic structure of a key concept, such as personality (Dewberry, 2004); the development of psychometric tests (Dewberry, 2004; Rust and Golombok, 1999); and the exploration of the underlying structure of a set of scores and sub-scales in questionnaires (Rust and Golombok, 1999).

This researcher used factor analysis to confirm that sets of variables on organizational capacity correlate well with each other and that the

organizational capacity questionnaire measures the variables it is intended to measure. At a broader level, factor analysis is able to demonstrate that the variables correlate consistently and sufficiently in the six specific content areas to form sub-scales, and do not cross-load.

Factor analysis as a measure of inter-correlated items in questionnaire development is often combined with Cronbach's alpha as a measure of reliability (Dewberry, 2004). In Chapter Four of this study, the results of Cronbach's alpha test indicated high levels of reliability of the six sub-scales and items in the 46 item questionnaire (Table 4.1). The factor analysis enables us to triangulate this finding through a different method.

Method and results of factor extraction

The researcher used a principal components factor analysis, with Varimax rotation as the method of extraction, to investigate whether the 46 items about organizational capacity loaded in a consistent, predictable and orderly way on six components. Principal components analysis is a *"psychometrically sound procedure"* (Field, 2006: 631), that analyses all variance between the variables, and can provide a *"complete empirical summary of the data set"* (Dewberry, 2004: 310).

Varimax is one of three methods of orthogonal rotation in SPSS. The researcher used orthogonal rotation because orthogonal factors are easier to

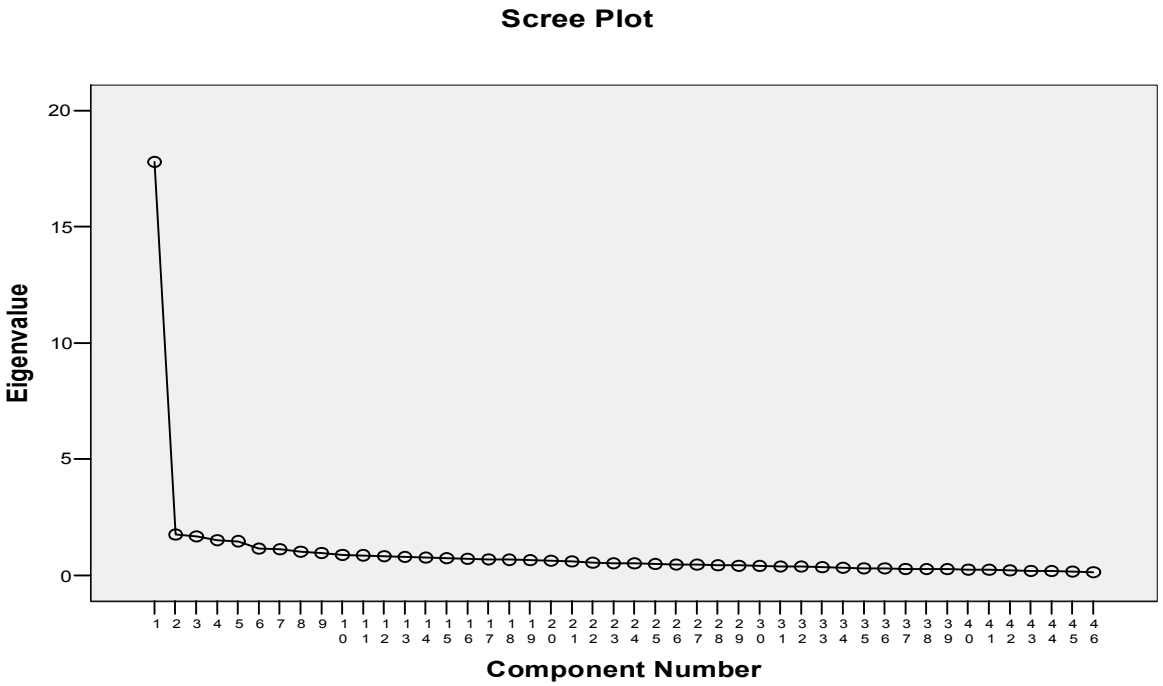
interpret than alternative rotation solutions, such as oblique rotation (Rust and Golombok, 1999) but there are arguments that suggest little difference in outcomes between orthogonal and oblique rotations (Dewberry, 2004: 310). Varimax is the method selected by the researcher because it aims to disperse the loadings within factors, is reported to have fewer limitations than the alternative methods and is recommended as *"a good general approach that simplifies the interpretation of factors"* (Field, 2006: 637).

Factor loadings of .45 are considered to be fair; of .55 to be good; and over .63 to be very good (Dewberry, 2004). Factor loading for a sample size of 200 should be greater than .364 and for a sample of 300, it should be greater than .298 to be considered important (Field, 2006). A sample of 300 is considered a good sample size for factor analysis (Field, 2006). The sample size for the factor analysis of the organizational capacity items was greater than 360.

The researcher included factor loadings of .45, which are considered to be fair (Dewberry, 2004: 309) for analysis and interpretation. It would be hoped that each set of items designed to measure a specific dimension of organizational capacity (for example, leadership) would load substantially on just one factor because this would mean that the variables correlate consistently with one sub-scale, or content area, and do not cross-load onto different content areas.

The scree plot shows the eigenvalues for each component of organizational capacity. If the factor solution is good, the factors will form a steep slope from left to right across useful factors and level out to become flat. The eigenvalues produced in the extraction examined on a scree plot (Figure 5.1) revealed a single factor structure, indicating a single summated scale for organizational capacity.

Figure 5.1 Scree plot of eigenvalues of components of organizational capacity



Factor loadings

Eight components were identified in the principal component analysis. Factor loadings of .45 and over were included and analysed, to compare factors against the sub-scales in the conceptual model of organizational capacity.

In each of the eight components in the factor analysis, at least three items loaded at .45 or over. Of the 46 items of organizational capacity, 39 had a factor loading of .45 and seven out of the 46 items of organizational capacity did not load at this level. Of the seven items that did not load at .45, six loaded at .40 and all loaded above .298.

Component 1 included eleven items that loaded at .45; component 2 had nine items; component 3 had four items; component 4 had four items; component 5 had three items; component six had three items; component seven had three items; and component eight had three items that loaded at .45.

Across the eight components, the 39 items with a factor loading of .45 were analysed to compare the groups of factors within each component with the predicted sub-scales of organizational capacity in the conceptual model. At the .45 level, items loaded highly on to two factors, which can be described as F1 and F2. In column one of the component analysis (Figure 5.2), representing the first component, seven out of eleven loadings of .45 are amongst ten items in the sub-scale of planning and evaluation. The match between the seven factor loadings and the sub-scale design suggest that Factor 1 can be described as Planning and Evaluation (a) with reasonable confidence.

Similarly, in column two, representing the second component, six out of nine loadings of .45 are amongst eight items in the sub-scale of leadership. The match between the factor loadings and the sub-scale suggest that Factor 2 can be described as Leadership with reasonable confidence.

Smaller numbers of items loaded onto factors which formed clusters of three items. In column one, three factor loadings are amongst eight items in the sub-scale of knowledge and learning: this can be described as F3 Knowledge and Learning.

In column four, three factor loadings are amongst the eleven items in the sub-scale of planning and evaluation which can be described as F4 Planning and Evaluation (b). Three factor loadings in each of column five and column six are amongst seven items in the sub-scale of enabling conditions which can be described as F5 Enabling Conditions (a) and F6 Enabling Conditions (b). In column seven, three factor loadings are amongst items in the sub-scale structural flexibility and can be described as F7 Structural Flexibility. Two of the sub-scales of organizational capacity (Planning and Evaluation; Enabling Conditions) each loaded onto two factors, which suggests that these two component sub-scales were identifiable and partially correlated but not as a complete sub-scale.

In columns two, three and eight, three pairs of factors are amongst seven items in the sub-scale internal alignment, but these loadings are rather poorly correlated.

Four items cross-loaded onto factors that were different from the predicted sub-scale. Of the four items that cross-loaded, two items were singletons, and not part of any cluster of correlated items. The two other items loaded onto more than one component at the .45 level: in each case, the item that cross-loaded was part of a cluster of items in one component, and an isolated item in a second component. This result indicates that there are some weaknesses in the design of four items but that the sub-scales were identifiable and reasonably distinct from each other. It is suggested that further refinement in the precise wording of these four items would be required to improve their factor loadings and the sub-scale design.

Overall, the number of predicted items in the six sub-scales compared with actual items that loaded onto factors, were as follows: Knowledge and Learning (eight predicted: three actual); Internal Alignment (seven predicted: six actual); Leadership (eight predicted: six actual); Structural Flexibility (six predicted; three actual); Enabling Conditions (seven predicted: six actual); and Planning and Evaluation (ten predicted: ten actual).

Summary and implications of the testing of the conceptual model

In summary, we have learned from the factor rotation that the reliability of the six dimensions is fairly good, but there are some mixed results. 39 out of the 46 items (84%) loaded at a “fair” level of .45. Six items failed to correlate at the .45 level but all 46 items loaded above .298, which is an appropriate factor loading for the sample size of 360. Eight separate components were identified, compared with six sub–scales in the conceptual model. Fairly strong correlations were found for five of the six sub-scales, but at least partial correlation was found for all six sub-scales.

Overall, the factor analysis of organizational capacity confirms that the majority of the 46 items load in an orderly fashion onto the component dimensions of organizational capacity. The rotated component matrix is shown in Figure 5.2. Loadings over .45 are in bold.

The results of the factor analysis confirm that sets of variables on organizational capacity correlate fairly well with each other and that to a large extent, the organizational capacity questionnaire measures the variables it is intended to measure. At a broader level, the factor analysis quantitatively demonstrates that the variables correlate fairly consistently and sufficiently in the six specific content areas to form sub-scales and that very few items cross-load.

The implications for later analysis and for the interpretation of results are that they may be treated with a fair degree of confidence. First, the factor analysis has identified that the basic structure of the key concept, organizational capacity, and its six sub-components in the conceptual model, are consistent and predictable.

Second, the factor analysis as a measure of inter-correlated items in questionnaire development, combined with Cronbach's alpha as a measure of reliability, reported in Chapter Four, indicated fair levels of validity and high levels of internal consistency reliability of the six sub-scales and items in the 46 item questionnaire.

Overall, the conceptual framework and the questionnaire design have a sufficiently high level of predictability, validity and reliability for their intended purpose. The survey instrument, designed with item wording appropriate to the local authority context, has been shown to have internal consistency of the construct of capacity in a particular organizational context. The weaknesses in the design of a small number of items and the sub-scales are acknowledged and these could be further refined to create a more valid instrument for further research.

The chapter next turns to aggregate analysis of the survey results.

Figure 5.2 Factor loadings after varimax rotation. Extraction Method: Principal Component Analysis.

	Component							
	1	2	3	4	5	6	7	8
Staff and managers prepare before taking part in learning activities	**.695**	.116	.132	.143	.151	.160	.111	-.011
Managers know how to plan and implement change	**.656**	.330	-.021	.121	.043	.154	.195	.190
When we have a good idea, we test it out and evaluate its effect	**.635**	.138	.208	.234	.089	.150	.144	.063
We plan what we need to know	**.624**	.115	.274	.070	.047	.106	.076	.162
Managers understand how to involve staff in making change	**.587**	.276	-.009	-.029	.230	.371	.096	.290
The council's performance management system helps individuals to improve	**.578**	.202	-.006	.319	-.071	.068	.280	.148
We evaluate and learn from new initiatives	**.563**	.303	.219	.314	.187	.036	.094	-.069
Managers and staff know how to identify gaps for learning and improvement	**.561**	.275	.341	-.015	.151	-.022	.060	.054
Staff can easily access the information they need to do their job effectively	**.491**	.046	.252	.150	.330	.201	.007	.107
Managers and HR officers understand how to support complex learning needs	**.454**	.310	.176	.195	.102	.240	-.008	.032
Managers and staff learn through a wide variety of opportunities inside and outside the council	**.450**	.305	.271	.027	.293	.148	.132	-.073
Managers and staff use performance data in their everyday work	.449	.109	.409	.386	.125	.074	-.040	.052

Managers and staff can easily integrate innovative ideas into mainstream services	.428	.382	.132	.326	.168	.337	.038	.066
Change champions really make a difference to improving services	.185	**.630**	.054	.072	-.020	.053	.315	.206
Managers constructively challenge barriers to good practice	.344	**.601**	.285	.131	.095	.162	.153	-.085
Everyone in the council is involved in a programme of cultural change	.134	**.598**	.209	.174	.105	.303	.041	-.081
Managers encourage sharing of ideas and information with other councils and agencies	.297	**.594**	.164	-.048	.122	.223	.123	.064
Staff understand the part they play in council aims for change and improvement	.254	**.581**	.123	.160	.232	-.021	.029	.231
Managers and staff are keen to learn new ways of doing things	.200	**.562**	.386	.158	.230	.122	.042	.154
Managers and staff share ideas and good practice across the council	.193	**.521**	.238	.180	.178	.229	.076	.244
Elected members and managers are willing to take risks and learn from mistakes	.226	**.509**	.377	.363	-.089	.204	.136	.015
It's easy to try out new ideas in my service	.070	.320	.266	.247	.247	.029	.259	.055
In this council, we are keen to be innovators, as well as making improvement	.178	.302	**.619**	.154	.076	.063	.035	.224
Elected members, managers and staff genuinely value learning	.189	.161	**.560**	.296	.083	.017	.135	.195
Managers and staff regularly seek out ideas for service improvement	.368	.404	**.541**	-.028	.309	.042	.082	.039

Managers don't just talk about improvement, they do it	.278	.353	**.465**	.358	-.049	.290	.107	.271
We encourage bringing in new ideas from outside the organisation	.322	.386	.445	-.075	.121	.314	.096	.098
Elected members, managers and staff regularly take part in learning networks with other agencies	.366	.353	.444	.063	.161	.035	.236	-.203
Elected members and managers talk positively about our aims and ambitions	.263	.228	.438	.363	-.027	.249	.235	.107
Links with national agencies are a source of ideas and improvement	.331	.133	.425	.100	.110	.329	.212	-.096
We are good at delivering better services without needing more resources	.199	.091	.097	**.707**	.156	.059	.107	.142
Elected members, managers and staff are able to work collaboratively	.208	.147	.211	**.472**	.214	.175	.394	.158
The council builds on past success	**.459**	.178	.225	**.464**	.149	.151	.085	.170
There are good opportunities to put learning into practice	.407	.296	.292	**.452**	.250	.032	.115	.011
On a day to day basis, staff manage their own area of work effectively	.133	.149	.056	.202	**.778**	-.003	.034	.021
We can rely on team members for maintaining high standards of work	.345	.096	.106	.055	**.645**	.137	.179	.214
Staff are involved in making important decisions and plans	.151	.181	.169	.117	**.488**	**.461**	.131	.255
We prefer to share information face to face as much as possible	.262	.154	.083	.064	.037	**.780**	.100	.131
Members and managers encourage diverse opinions	.279	.360	.142	.174	.114	**.536**	.186	-.006

Staff can easily work with colleagues across internal boundaries	.057	.348	-.051	.327	.378	.384	.153	-.271
Members and managers tend to make important decisions with partners	.227	.084	.275	.091	.063	.203	**.711**	.157
We get new ideas for service improvement from joint working with other agencies	.116	.268	.298	-.104	.159	.280	**.657**	-.034
We are trying out new forms of service design that do not depend on retaining services in-house	.111	.124	-.126	.315	.078	-.063	**.648**	.105
The council listens to its users, customers and stakeholders	.232	.071	.132	.325	.134	.150	.215	**.585**
Staff feel proud of council achievements and good practice	.129	**.467**	.213	.250	.211	-.011	.155	**.544**
Staff regularly contribute ideas for service improvement	.111	.258	.351	.010	.421	.171	.102	**.460**

AGGREGATE ANALYSIS OF THE SURVEY RESULTS

In this section, descriptive statistics are reported for the two national surveys of organizational capacity in all English local authorities in the sample. The organizational capacity survey consists of a structured questionnaire, designed to test six dimensions and 46 items of organizational capacity, which this researcher developed from a conceptual model.

The conceptual framework for the survey of organizational capacity described in Chapter Four provides the basis for the blueprint, comprising a grid structure which specifies the content areas on the horizontal axis and manifestations on the vertical axis. Each column represents a content area and the manifestations are constructed along the rows: thus each cell in the blueprint forms a basis for writing individual items for the questionnaire. In this study there are six content areas and seven manifestations, resulting in 42 cells (Figure 4.4 in Chapter Four) and 46 items, forming a structured approach to design of the survey questionnaire for empirically testing the model of organizational capacity.

The survey gathered data at two points in time, two years apart, in 2004 and 2006, to compare results between local authorities and over time. In the 2004 survey, the 46 items are tested twice in that the survey requests respondents to indicate their perception of their local authority's *current* capacity; and their perception of *expected* capacity in two years time.

The population and sample for both surveys included all 388 English local authorities, and five types of local authority in England: county councils, district councils, metropolitan authorities, unitary councils, and London boroughs. The research set out to investigate links between the extent of capacity and the award of Beacon status to English councils, and thus the population included both Beacon and non-Beacon councils.

The survey respondents were of three main types: strategic political; strategic managerial; and service managerial (see Chapter Four). The surveys' two independent variables are the type of council, and in particular a comparison is made between those councils that have and those that have not been awarded Beacon status. The surveys collected data from both Beacon councils and non-Beacon councils.

The preliminary analysis provides an initial overview, but rather limited insight into perceptions of organizational capacity, in that it provides aggregate findings of the perceptions of all respondents, and all councils. Chapter Six will examine differences in terms of the bivariate relationships.

As explained in Chapter Four, the longitudinal design and the two tests of local authority current and future capacity in 2004 produced three data sets:

- Perceptions of actual organizational capacity in 2004;
- Perceptions of expectations of organizational capacity in 2006;

- Perceptions of actual organizational capacity in 2006.

The aggregate findings for each of these three sets of data are reported and discussed in turn below. First, the response rates for the two surveys are described.

Response rates in the 2004 and 2006 national surveys

The response rates to the two national surveys are reported here. The response rates were representative by type of local authority, whether metropolitan; unitary; London borough; district; or county council (Tables 5.1 and 5.2).

Response rates by respondent group indicated a reasonably representative sample of the three sub-groups of respondents (Table 5.3) but in each of the two surveys, the number of elected members that responded was quite low (n= 59 in 2004; n= 50 in 2006). Due to low base sizes, these data need to be treated with caution.

In the 2004 national survey, 191 of the 388 authorities in England returned at least one questionnaire and this represents a response rate by authority of 49%. 63% of responding authorities submitted two or more responses and a total of 448 responses was received. 136 responses were from chief executives or policy staff; 59 were from elected members; and the remaining

253 were completed by heads of service across the four theme areas targeted in the evaluation (Table 5.1). 31% of respondents were from a council that had been a Beacon.

Table 5.1 Response to the 2004 national survey

	Total number of authorities	Number of authorities responding	% of all authorities responding	% of council type responding	No. of questionnaires received (448)
Single Tier					
Metropolitan Authorities	36	26	7%	72%	66
Unitary Authorities	47	23	6%	50%	55
London Boroughs	33	18	5%	55%	47
Sub-total	116	*67*	17%		*168*
Two tier					
District Councils	238	109	28%	46%	211
County Councils	34	15	4%	44%	33
Sub-total	*272*	*124*	32%		*244*
Anonymous responses					36
Total	**388**	**191**	**49%**		**448**

In the 2006 national survey, 176 of the 388 English local authorities participated in the survey and returned at least one questionnaire and this represents a response rate by authority of 45%. Response rates to the two surveys were quite similar, particularly in terms of the distribution across types of role and types of council but with some decrease overall by the second survey. A total of 360 responses to the 2006 survey were received. 101 responses were from chief executives/heads of policy and 50 from elected members. The remaining 209 questionnaires were completed by heads of service with responsibility for one of the theme areas targeted by Round 5 of the Beacon Scheme (Table 5.2).

The analysis of response rate in both surveys by type of council (metropolitan; unitary; London borough; district; county) show a healthy response rate from all types and therefore we can be confident that the survey is reasonably representative of councils across England. 41% of respondents worked for councils that had won a Beacon award.

Table 5.2 Response to the 2006 national survey

	Total number of authorities	Number of authorities responding	% of council type responding	No. of questionnaires received	% of all questionnaires received (360)
Single Tier					
Metropolitan Authorities	36	18	50%	45	13%
Unitary Authorities	47	25	53%	52	14%
London Boroughs	33	17	52%	34	9%
Sub-total	116	60	52%	131	36%
Two Tier					
District Councils	238	98	41%	194	54%
County Councils	34	18	53%	35	10%
Sub-total	272	116	43%	229	64%
Total	**388**	**176**	**45%**	**360**	**100%**

Longitudinal data are available from all respondents in both surveys, who answered the capacity questions. Responses were received from the three respondent roles, but not from the same people. The response rates by respondent sub-group to the two surveys are shown below in Table 5.3.

Low return rates and non-response to postal surveys raise questions about the representativeness of the data and sample. It is possible that the large number of non-respondents to the two surveys may have had significantly different characteristics to respondents, but the response rates were representative across all types of council and three different sub-groups of respondents, with the exception of elected members.

Table 5.3 Response to two national surveys 2004 and 2006 by respondent sub-group

	2004 No. of questionnaires returned	2004 % of all questionnaires returned (448)	2006 No. of questionnaires returned	2006 % of all questionnaires returned (360)
Strategic roles	195	44%	151	42%
Chief Executives/ Heads of Policy	136	30%	101	28%
Elected Members	59	13%	50	14%
Operational roles – Heads of service with responsibility for:	253	56%	209	58%
Benefits Administration	76	17%	72	20%
Crime and Disorder Partnerships	78	17%	71	20%
Better Local Public Transport	55	12%	36	10%
Early Years and Sure Start	44	10%	30	8%
Total	**448**	**100%**	**360**	**100%**

Having described the response rates for both surveys, this chapter turns next to aggregate analysis of each of the three data sets, starting with perceptions of current organizational capacity in the 2004 survey.

ACTUAL ORGANIZATIONAL CAPACITY IN THE 2004 NATIONAL SURVEY

Response and non-response

Respondents to the 2004 survey were asked to indicate their current perception of their local authority's organizational capacity to make improvement. The data set for the national survey of all English local

authorities in 2004 consisted of n=448 respondents. In the survey of actual organizational capacity in 2004, between n=357 and 385 (depending on survey item) local authority respondents provided responses to 46 questions on the organizational capacity items. The maximum n=385.

The pattern of missing data was examined by comparison to responses to questions in other sections of the national survey in 2004 that were similarly targeted at all types of respondent. The proportion of missing data is similar to, and no greater than the level of missing data in many other sections, and in some other survey questions there were more missing data than in the responses to the organizational capacity questions (Rashman et al, 2004). This comparison with other sections suggests that respondents were motivated to answer the organizational capacity questions, which were placed towards the end of the national survey questionnaire, and that the pattern of non-response is typical within the context of the survey as a whole.

There are slightly more missing responses towards the end of the set of organizational capacity items. Due to the structure of the organizational capacity questionnaire into sub-sections, there are slightly fewer respondents who provided responses to items in the last two sub-sections than in the earlier sub-sections of items. For example, non-response rate to the first sub-section Internal Alignment, is between n=59 to 65, compared with the last sub-section Planning and Evaluation, where n=80 to 91. This level of attrition

is likely to indicate respondent fatigue, due to the relatively large number of items in the organizational capacity survey, but there may be other explanations, such as use of ambiguous terms, unfamiliar language, over-demanding questions or overlapping alternatives (Kraut, 1996: 163).

Distribution

Frequency distributions vary in the extent to which they are distributed symmetrically around the mean of the scores. In a normal distribution, the frequency distribution of variables is symmetrical about the mean. It is important to know whether a frequency distribution is normal, as many commonly used statistical tests assume a normal distribution of scores. When scores are clustered close to the mean, the standard deviation will be smaller and the mean represents the data more accurately. Skewed distributions are not symmetrical, and indicate whether the most frequent scores are clustered in one part of the scale.

The researcher conducted a visual check of the distributions and values of skewness of all 46 variables in each set of the 2004 and 2006 survey data. This approach is recommended for large samples of 200 or more rather than calculations of significance (Field, 2005: 72) because when samples are large there are likely to be small standard errors, and significant values may occur when there are only small deviations. There were varying degrees of negative

and positive skew across all 46 items, in each of the two surveys, but all frequencies appeared to be relatively normally distributed.

Sub-scales and items of current organizational capacity in 2004

The 46 items were structured into six sub-scales, as described in Chapter Four. Each sub-scale comprises a number of capacity items as follows: internal alignment (seven items); leadership (eight items); structural flexibility (six items); knowledge and learning (eight items); enabling conditions (seven items); and planning and evaluation (ten items). The response scale is described in Chapter Four.

The six component sub-scales were designed to amalgamate variables and to reduce the complexity and abstractness of the underlying concepts. Factor analysis to a large extent confirmed the underlying component structure and inter-correlations between variables, indicating the feasibility of sub-scales (Rust and Golombok, 1999) but there may not be commensurability of scores between the six components. Individual variables may have different, rather than equal importance. For these reasons, comparisons between the sub-scales need to be treated with caution, but it is helpful to compare changes within each of the components over time.

Frequency statistics for the six sub-scales of current organizational capacity in 2004 are presented in Table 5.4.

Table 5.4 Sub-scales and 2004 actual capacity

	Internal alignment capacity	Leadership capacity	Structural flexibility capacity	Knowledge and learning capacity	Enabling conditions capacity	Planning and evaluation capacity
N Valid	372	362	361	357	358	339
Missing	72	82	83	87	86	105
Total Mean score	23.1640	25.2652	19.8006	24.7619	23.3883	31.7227
Std. Deviation	4.56017	5.27171	3.76963	5.17415	4.00945	6.38923
Number of items in sub-scale	7	8	6	8	7	10
Mean score divided by number of items in sub-scale	3.3091	3.1581	3.3001	3.0952	3.3411	3.1722

In terms of the six sub-scales of the survey of current organizational capacity in 2004, there were some differences. The three component sub-sections which included the highest mean scores overall were: enabling conditions (mean: 3.34); internal alignment (mean: 3.31); and structural flexibility (mean: 3.30). The three sub-sections with the lowest mean scores overall were: knowledge and learning (mean: 3.10); leadership (mean: 3.16); and planning and evaluation (mean: 3.17).

The range of scores on each of the six sub-scales varied, with the least dispersion of the data in the sub-scale structural flexibility (SD: 3.77) and the greatest dispersion in the sub-scale planning and evaluation (SD: 6.39). The differences in the range may be attributed at least in part to the number of items in each sub-scale, as there are six items in the sub-scale structural flexibility, compared with ten items in planning and evaluation.

Having examined the sub-scales, the analysis turns to frequencies for the 46 items within the sub-scales. Frequency statistics for the 46 organizational capacity variables of current capacity in 2004 are presented in Table 5.5.

Frequencies for all 46 items of actual organizational capacity in 2004

The item with the greatest extent of actual organizational capacity in 2004 was: *We can rely on team members for maintaining high standards of work* (mean 3.64; SD .787) and the item with the most limited extent of current capacity in 2004 was: *Elected members, managers and staff regularly take part in learning networks with other agencies* (mean 2.72; SD 1.008).

The respondents in the 2004 survey reported that their councils had the greatest levels of actual capacity (indicated by items with a mean of 3.5 or greater) in six items: keenness for innovation (mean 3.50; SD .930); aims and ambitions (mean 3.63; SD .866); listening to customers, users and stakeholders (mean 3.60; SD .854); collaborative working (mean 3.57; SD .967); self-management (mean 3.61; SD .667); and team work (mean 3.64; SD .787).

In contrast, respondents reported the least levels of actual organizational capacity (indicated by items with a mean of 2.95 or less) in seven items: risk-taking and learning from mistakes (mean 2.93; SD .961); change champions

(mean 2.90; SD 1.031); cultural change (mean 2.90; SD 1.034); participation in learning networks (mean 2.72; SD 1.008); understanding complex learning needs (mean 2.84; SD .895); preparation prior to learning (mean 2.92; SD .883); and integration of ideas (mean 2.90; SD .874).

Table 5.5 2004 actual capacity frequencies all variables

CAPACITY ITEM 2004 ACTUAL CAPACITY	N Valid	Mean	Standard Deviation
Internal alignment			
Elected members, managers and staff genuinely value learning	382	3.34	.784
In this council, we are keen to be innovators, as well as making improvement	382	3.50	.930
Staff regularly contribute ideas for service improvement	385	3.18	.868
Staff feel proud of council achievements and good practice	385	3.43	.961
Managers and staff share ideas and good practice across the council	383	3.06	.896
Managers and staff are keen to learn new ways of doing things	384	3.26	.892
It's easy to try out new ideas in my service	379	3.38	.967
Total sub-scale Internal alignment		23.16	4.560
Leadership			
Elected members and managers talk positively about our aims and ambitions	381	3.63	.866
Managers don't just talk about improvement, they do it	385	3.34	.876
Elected members and managers are willing to take risks and learn from mistakes	378	2.93	.961
Managers constructively challenge barriers to good practice	379	3.10	.844
Staff understand the part they play in council aims for change and improvement	381	3.13	.853
Change champions really make a difference to improving services	375	2.90	1.031
Managers encourage sharing of ideas and information with other councils and agencies	382	3.30	.858
Everyone in the council is involved in a programme of cultural change	382	2.90	1.034
Total sub-scale Leadership		25.27	5.271
Structural flexibility			
Staff can easily work with colleagues across internal boundaries	379	3.10	.898
We are trying out new forms of service design that do not depend on retaining services in-house	371	3.14	1.045
Members and managers tend to make important decisions with partners	375	3.23	.830
We get new ideas for service improvement from joint working with other agencies	378	3.23	.905
The council listens to its users, customers and stakeholders	378	3.60	.854
Elected members, managers and staff are able to work collaboratively	378	3.57	.967
Total sub-scale Structural flexibility		19.80	3.770

Knowledge and learning			
Managers and staff know how to identify gaps for learning and improvement	375	3.09	.837
Elected members, managers and staff regularly take part in learning networks with other agencies	374	2.72	1.008
Managers and staff regularly seek out ideas for service improvement	375	3.25	.821
We encourage bringing in new ideas from outside the organisation	376	3.39	.847
Managers and HR officers understand how to support complex learning needs	371	2.84	.895
Managers and staff use performance data in everyday work	378	3.21	1.035
Links with national agencies are a source of ideas and improvement	376	3.02	.946
Staff can easily access the information they need to do their job effectively	372	3.25	.878
Total sub-scale Knowledge and learning		24.76	5.174
Enabling conditions			
Day to day, staff manage their own area of work effectively	370	3.61	.667
Staff are involved in making important decisions and plans	369	3.34	.771
We prefer to share information face to face	367	3.29	.877
Members and managers encourage diverse opinions	369	3.08	.873
Managers and staff learn through a wide variety of opportunities inside and outside the council	369	3.19	.830
We can rely on team members for maintaining high standards of work	367	3.64	.787
Managers know how to involve staff in making change	369	3.15	.872
Total sub-scale Enabling conditions		23.39	4.009
Planning and evaluation			
We plan what we need to know	357	3.09	.850
Staff and managers prepare before taking part in learning activities	362	2.92	.883
When we have a good idea we test it and evaluate its effect	365	3.11	.892
The council's performance management system helps individuals to improve	366	3.20	.992
Managers know how to plan and implement change	367	3.12	.874
Managers and staff can easily integrate innovative ideas into mainstream services	367	2.90	.874
The council builds on past success	368	3.49	.873
We are good at delivering better services without needing more resources	366	3.37	.981
There are good opportunities to put learning into practice	368	3.36	.814
We evaluate and learn from new initiatives	367	3.24	.889
Total sub-scale Planning and evaluation		31.72	6.389

Having reported aggregate perceptions of current organizational capacity in the 2004 survey, the chapter turns next to the respondent's perceptions of their local authority's expected capacity in two years time.

EXPECTATIONS OF ORGANIZATIONAL CAPACITY IN 2006

Response and non-response

Respondents to the 2004 survey were asked to indicate their perception of their local authority's expectations of organizational capacity to make improvement, as judged by where they expected to be in two years time. The data set for the national survey of all English local authorities in 2004 consisted of n=448 respondents. In the survey of future organizational capacity in 2004, between n=353 and 383 (depending on survey item) local authority respondents provided responses to 46 questions on the organizational capacity items of expected capacity. The maximum n=383.

The pattern of missing data in the responses to expectations of organizational capacity items in 2006 is similar to the pattern of missing data in the current capacity items in 2004. There are very slightly more missing responses overall and similarly to the current capacity items, there are slightly more missing data towards the end of the set of organizational capacity questions. The questionnaire layout placed the current capacity and the expected capacity measurement scales in adjacent sections on the same page of the questionnaire. This pattern of missing data again suggests response fatigue.

Sub-scales and items of expectations of organizational capacity in 2006

The 46 items were structured into six sub-scales, as described in Chapter Four. Each sub-scale comprises a number of capacity items as follows: internal alignment (seven items); leadership (eight items); structural flexibility (six items); knowledge and learning (eight items); enabling conditions (seven items); and planning and evaluation (ten items).

Frequency statistics for the six sub-scales of expectations of organizational capacity in 2006 are presented in Table 5.6.

Table 5.6 Sub-scales and expectations of capacity 2006

	Internal alignment capacity	Leadership capacity	Structural flexibility capacity	Knowledge and learning capacity	Enabling conditions capacity	Planning and evaluation capacity
N Valid	362	364	351	354	344	331
Missing	82	80	93	90	100	113
Total Mean score	28.2017	31.1401	23.5641	30.7938	27.7035	38.7915
Std. Deviation	4.14230	5.05067	3.71572	5.04876	4.02751	6.22084
Number of items in sub-scale	7	8	6	8	7	10
Mean score divided by number of items	4.0288	3.8925	3.9273	3.8492	3.9576	3.8791

In terms of the six sub-scales of the survey of expectations of organizational capacity in 2006, there were some differences. The three component sub-sections which included the highest mean scores overall were: internal alignment (mean: 4.03); enabling conditions (mean: 3.96); and structural flexibility (mean: 3.93). The three sub-sections with the lowest mean scores

overall were: knowledge and learning (mean: 3.85); planning and evaluation (mean: 3.88); and leadership (mean: 3.89).

The range of scores on each of the six sub-scales varied, with the least dispersion of the data in the sub-scale structural flexibility (SD: 3.72) and the greatest dispersion in the sub-scale planning and evaluation (SD: 6.22). The differences in the range may be attributed at least in part to the number of items in each sub-scale, as there are six items in the sub-scale structural flexibility, compared with ten items in planning and evaluation.

Frequencies for all 46 items of expectations of organizational capacity in 2006

Having examined the sub-scales, the analysis turns to frequencies for the 46 items within the sub-scales. Frequency statistics for the 46 variables of expectations of future organizational capacity in 2006 are presented in Table 5.7.

Table 5.7 Expectations of capacity 2006 frequencies all variables

CAPACITY ITEM EXPECTATIONS OF CAPACITY 2006	N Valid	Mean	Standard Deviation
Internal alignment			
Elected members, managers and staff genuinely value learning	380	4.06	.681
In this council, we are keen to be innovators, as well as making improvement	382	4.08	.808
Staff regularly contribute ideas for service improvement	382	4.00	.746
Staff feel proud of council achievements and good practice	380	4.14	.762
Managers and staff share ideas and good practice across the council	378	3.94	.748
Managers and staff are keen to learn new ways of doing things	383	4.02	.787
It's easy to try out new ideas in my service	377	3.96	.856
Total sub-scale Internal alignment		28.20	4.142
Leadership			
Elected members and managers talk positively about our aims and ambitions	379	4.22	.746
Managers don't just talk about improvement, they do it	380	4.04	.752
Elected members and managers are willing to take risks and learn from mistakes	378	3.62	.860
Managers constructively challenge barriers to good practice	379	3.82	.780
Staff understand the part they play in council aims for change and improvement	379	3.95	.761
Change champions really make a difference to improving services	372	3.70	.972
Managers encourage sharing of ideas and information with other councils and agencies	380	3.96	.768
Everyone in the council is involved in a programme of cultural change	382	3.77	.972
Total sub-scale Leadership		31.14	5.051
Structural flexibility			
Staff can easily work with colleagues across internal boundaries	375	4.04	.741
We are trying out new forms of service design that do not depend on retaining services in-house	366	3.65	1.025
Members and managers tend to make important decisions with partners	371	3.80	.858
We get new ideas for service improvement from joint working with other agencies	372	3.80	.854
The council listens to its users, customers and stakeholders	375	4.24	.756
Elected members, managers and staff are able to work collaboratively fs	370	4.09	.868
Total sub-scale Structural flexibility		23.56	3.715

Knowledge and learning			
Managers and staff know how to identify gaps for learning and improvement	373	3.88	.752
Elected members, managers and staff regularly take part in learning networks with other agencies	370	3.49	.946
Managers and staff regularly seek out ideas for service improvement	370	3.49	.946
We encourage bringing in new ideas from outside the organisation	371	4.00	.741
Managers and HR officers understand how to support complex learning needs	368	3.62	.893
Managers and staff use performance data in everyday work	372	4.10	.865
Links with national agencies are a source of ideas and improvement	368	3.61	.922
Staff can easily access the information they need to do their job effectively	369	4.06	.786
Total sub-scale Knowledge and learning		30.79	5.049
Enabling conditions			
Day to day, staff manage their own area of work effectively	362	4.19	.618
Staff are involved in making important decisions and plans	366	3.99	.710
We prefer to share information face to face	361	3.79	.830
Members and managers encourage diverse opinions	366	3.72	.850
Managers and staff learn through a wide variety of opportunities inside and outside the council	364	3.86	.763
We can rely on team members for maintaining high standards of work	364	4.10	.765
Managers know how to involve staff in making change	362	3.92	.818
Total sub-scale Enabling conditions		27.70	4.028
Planning and evaluation			
We plan what we need to know	353	3.78	.754
Staff and managers prepare before taking part in learning activities	360	3.65	.797
When we have a good idea we test it and evaluate its effect	359	3.79	.774
The council's performance management system helps individuals to improve	358	4.03	.866
Managers know how to plan and implement change	364	3.95	.740
Managers and staff can easily integrate innovative ideas into mainstream services	361	3.78	.817
The council builds on past success	362	4.05	.805
We are good at delivering better services without needing more resources	362	3.89	.913
There are good opportunities to put learning into practice	360	3.89	.780
We evaluate and learn from new initiatives	364	3.91	.811
Total sub-scale Planning and evaluation		38.79	6.221

The item with the greatest extent of expectations of capacity in 2006 was: *The council listens to its users, customers and stakeholders* (mean 4.24; SD .756) and the two items with the most limited extent of expected capacity in 2004 were: *Elected members, managers and staff regularly take part in learning networks with other agencies* (mean 3.49; SD .946) and *Managers and staff regularly seek out ideas for service improvement* (mean 3.49; SD .946).

The respondents in the 2004 survey reported that their councils had the greatest levels of expected capacity (indicated by items with a mean of 4.10 or greater) in six items: pride in council achievements (mean 4.14; SD .762); aims and ambitions (mean 4.22; SD .746); listening to customers, users and stakeholders (mean 4.24; SD .756); use of performance data (mean 4.10; SD .865); self-management (mean 4.19; SD .618); and team work (mean 4.10; SD .765).

In contrast, respondents reported the least levels of expected organizational capacity (indicated by items with a mean of 3.65 or less) in seven items: risk-taking and learning from mistakes (mean 3.62; SD .860); new forms of service design (mean 3.65; SD 1.025); participation in learning networks (mean 3.49; SD .946); understanding complex learning needs (mean 3.62; SD .893); preparation prior to learning (mean 3.65; SD .797); national agencies are a source of ideas (mean 3.61; SD .922); and seeking ideas for improvement (mean 3.49; SD .946).

In terms of the six sub-sections of the survey of expectations of organizational capacity in 2006, there were some differences. The two sub-sections which included the highest mean scores overall were: enabling conditions; and internal alignment. The two sub-sections with the lowest mean scores overall were: knowledge and learning; and leadership.

Current and expected capacity in 2004 survey

Overall, the level of expected organizational capacity was greater, compared with actual organizational capacity, in 2004. The greatest level of actual capacity was: *We can rely on team members for maintaining high standards of work* (mean 3.64; SD .787); and the greatest level of expectations of capacity was: *The council listens to its users, customers and stakeholders* (mean 4.24; SD .756).

The most limited level of actual capacity in 2004 was: *Elected members, managers and staff regularly take part in learning networks with other agencies* (mean 2.72; SD 1.008); and the items with the most limited level of expectations of capacity in 2006 were: *Elected members, managers and staff regularly take part in learning networks with other agencies* (mean 3.49; SD .946) and *Managers and staff regularly seek out ideas for service improvement* (mean 3.49; SD .946).

ACTUAL ORGANIZATIONAL CAPACITY IN THE 2006 NATIONAL SURVEY

Response and non-response

Respondents to the 2006 survey were asked to indicate their current perception of their local authority's organizational capacity to make improvement. The data set for the national survey of all English local authorities in 2006 consisted of n=360 respondents. In the survey of actual organizational capacity in 2006, between n=339 and 347 local authority respondents provided responses to 46 questions on the organizational capacity items. The maximum n=347.

The pattern of missing data in the responses to the organizational capacity survey items in 2006 is different to the pattern of missing data in the actual capacity items in 2004. Firstly, the level of non-response rate is relatively small, ranging between n=13 and 21. Second, the rate of increase in non-response is more gradual across the six sub-sections of items. One possible explanation for the different levels of non-response in the 2004 and 2006 surveys of organizational capacity may be related to a difference in the survey design and content. The 2004 survey contained two sets of adjacent Likert scales, measuring actual and expectations of capacity and in effect, double the content and number of responses required. In comparison, the 2006 survey contained only one set of Likert scales, measuring actual capacity.

Sub-scales and items of actual organizational capacity in 2006

The design of the organizational capacity section of the survey questionnaire was similar to the 2004 survey. It differed in that the 2004 survey contained two adjacent measurement scales, one for actual and one for expected capacity, whereas the 2006 capacity questionnaire contained only one set of measurement scales for actual capacity.

The items were structured into exactly the same six sub-sections as previously, in order to facilitate comparison over time and over sections. The same five-point Likert-type response scale, outlined in Chapter Four, was used for the same reasons.

Frequency statistics for the six sub-scales of actual organizational capacity in 2006 are presented in Table 5.8.

Table 5.8 Sub-scales and 2006 actual capacity

		Internal alignment capacity	Leadership capacity	Structural flexibility capacity	Knowledge and learning capacity	Enabling conditions capacity	Planning and evaluation capacity
N	Valid	342	341	339	344	343	335
	Missing	18	19	21	16	17	25
Mean		24.6930	26.3021	20.5457	26.1919	24.5423	33.2627
Std. Deviation		4.45991	5.01524	3.75509	4.85094	3.89074	5.86956
Number of items in sub-scale		7	8	6	8	7	10
Mean score divided by number of items		3.5275	3.2877	3.4242	3.2739	3.5060	3.3262

In terms of the six sub-scales of the survey of actual organizational capacity in 2006, there were some differences. The three component sub-sections which included the highest mean scores overall were: internal alignment (mean: 3.53); enabling conditions (mean: 3.51); and structural flexibility (mean: 3.42). The three sub-sections with the lowest mean scores overall were: knowledge and learning (mean: 3.27); leadership (mean: 3.29); and planning and evaluation (mean: 3.33).

The range of scores on each of the six sub-scales varied, with the least dispersion of the data in the sub-scale structural flexibility (SD: 3.76) and the greatest dispersion in the sub-scale planning and evaluation (SD: 5.87). The differences in the range may be attributed at least in part to the number of items in each sub-scale, as there are six items in the sub-scale structural flexibility, compared with ten items in planning and evaluation.

Frequencies for all 46 items of 2006 actual organizational capacity

Having examined the sub-scales, the analysis turns to frequencies for the 46 items within the sub-scales. Frequency statistics for the 46 organizational capacity variables of current capacity in 2006 are presented in Figure 5.11.

The item with the greatest extent of actual capacity in 2006 was: *Day to day, staff manage their own area of work effectively* (mean 3.82; SD .642) and the item with the most limited extent of current capacity in 2006 was: *Elected*

members, managers and staff regularly take part in learning networks with other agencies (mean 2.81; SD .974).

Table 5.9 2006 actual capacity frequencies all variables

CAPACITY ITEM *2006 ACTUAL CAPACITY*	N Valid	Mean	Standard Deviation
Internal alignment			
Elected members, managers and staff genuinely value learning	346	3.58	.792
In this council, we are keen to be innovators, as well as making improvement	347	3.67	.972
Staff regularly contribute ideas for service improvement	347	3.38	.822
Staff feel proud of council achievements and good practice	347	3.65	.875
Managers and staff share ideas and good practice across the council	347	3.36	.880
Managers and staff are keen to learn new ways of doing things	347	3.57	.807
It's easy to try out new ideas in my service	343	3.52	.951
Total sub-scale Internal alignment		24.69	4.460
Leadership			
Elected members and managers talk positively about our aims and ambitions	347	3.73	.903
Managers don't just talk about improvement, they do it	347	3.50	.810
Elected members and managers are willing to take risks and learn from mistakes	347	3.12	1.002
Managers constructively challenge barriers to good practice	347	3.27	.783
Staff understand the part they play in council aims for change and improvement	347	3.42	.837
Change champions really make a difference to improving services	341	2.97	1.027
Managers encourage sharing of ideas and information with other councils and agencies	347	3.36	.853
Everyone in the council is involved in a programme of cultural change	347	2.98	1.028
Total sub-scale Leadership		26.30	5.015
Structural flexibility			
Staff can easily work with colleagues across internal boundaries	346	3.40	.819
We are trying out new forms of service design that do not depend on retaining services in-house	342	3.24	1.060
Members and managers tend to make important decisions with partners	344	3.25	.920
We get new ideas for service improvement from joint working with other agencies	346	3.25	.914
The council listens to its users, customers and stakeholders	345	3.72	.865
Elected members, managers and staff are able to work collaboratively	344	3.73	.887
Total sub-scale Structural flexibility		20.55	3.755

Knowledge and learning			
Managers and staff know how to identify gaps for learning and improvement	346	3.25	.775
Elected members, managers and staff regularly take part in learning networks with other agencies	346	2.81	.974
Managers and staff regularly seek out ideas for service improvement	346	3.42	.831
We encourage bringing in new ideas from outside the organisation	346	3.61	.865
Managers and HR officers understand how to support complex learning needs	345	2.94	.902
Managers and staff use performance data in everyday work	346	3.65	.934
Links with national agencies are a source of ideas and improvement	346	3.01	.898
Staff can easily access the information they need to do their job effectively	344	3.50	.812
Total sub-scale Knowledge and learning		26.19	4.850
Enabling conditions			
Day to day, staff manage their own area of work effectively	344	3.82	.642
Staff are involved in making important decisions and plans	344	3.51	.797
We prefer to share information face to face	343	3.42	.830
Members and managers encourage diverse opinions	344	3.27	.888
Managers and staff learn through a wide variety of opportunities inside and outside the council	344	3.37	.851
We can rely on team members for maintaining high standards of work	344	3.77	.669
Managers know how to involve staff in making change	344	3.39	.801
Total sub-scale Enabling conditions		24.54	3.891
Planning and evaluation			
We plan what we need to know	340	3.22	.822
Staff and managers prepare before taking part in learning activities	339	3.03	.851
When we have a good idea we test it and evaluate its effect	342	3.28	.837
The council's performance management system helps individuals to improve	343	3.34	.934
Managers know how to plan and implement change	343	3.35	.791
Managers and staff can easily integrate innovative ideas into mainstream services	343	3.10	.848
The council builds on past success	343	3.62	.845
We are good at delivering better services without needing more resources	344	3.58	.887
There are good opportunities to put learning into practice	342	3.37	.769
We evaluate and learn from new initiatives	343	3.38	.832
Total sub-scale Planning and evaluation		33.26	5.870

The respondents in the 2006 survey reported that their councils had the greatest levels of actual capacity (indicated by items with a mean of 3.70 or greater) in five items: aims and ambitions (mean 3.73; SD .903); listening to customers, users and stakeholders (mean 3.72; SD .865); collaborative working (mean 3.73; SD .887); self management (mean 3.82; SD .642); and team work (mean 3.77; SD .669).

In contrast, respondents reported the least levels of actual organizational capacity (indicated by items with a mean of 3.0 or less) in four items: change champions (mean 2.97; SD 1.027); cultural change (mean 2.98; SD 1.028); participation in learning networks (mean 2.81; SD .974); and understanding complex learning needs (mean 2.94; SD .902).

In terms of the six component sub-sections of the survey of actual organizational capacity in 2006, there were some differences. The two sub-sections which included the highest mean scores overall were: enabling conditions; and structural flexibility. The two sub-sections with the lowest mean scores overall were: knowledge and learning; and leadership.

Actual capacity in 2004 and actual capacity in 2006

Overall, the level of organizational capacity was slightly greater in 2006, compared with actual organizational capacity, in 2004. The greatest level of actual capacity in 2004 was: *We can rely on team members for maintaining*

high standards of work (mean 3.64; SD .787); and the greatest level of actual capacity in 2006 was: *Day to day, staff manage their own area of work effectively* (mean 3.82; SD .642).

The most limited level of actual capacity in 2004 was: *Elected members, managers and staff regularly take part in learning networks with other agencies* (mean 2.72; SD 1.008); and the most limited level of actual capacity in 2006 was: *Elected members, managers and staff regularly take part in learning networks with other agencies* (mean 2.81; SD .974)

The differences between actual levels of organizational capacity, across the 46 items, indicate that respondents reported a slight increase in their council's capacity over two years. Further statistical analysis will explore these results.

CONCLUSIONS

This chapter has addressed three of the research questions and has presented the descriptive statistics for the two surveys of organizational capacity in English local authorities.

The first research question is: *What do we mean by organizational capacity and can we build a plausible model of organizational capacity?* This has been answered by systematic development and testing of the conceptual model of organizational capacity.

Factor analysis was used to test the conceptual model of organizational capacity. Overall, the factor analysis of organizational capacity confirms that the majority of the 46 items loaded in an orderly fashion onto the component dimensions of organizational capacity at a “fair” level of .45, and all 46 items loaded above .298. At a broader level, the factor analysis quantitatively demonstrates that the basic structure of the key concept, organizational capacity, and its six sub-components in the conceptual model, is fairly consistent and predictable. Combined with Cronbach’s alpha as a measure of reliability, factor analysis confirms that the conceptual framework and the questionnaire design have a sufficiently high level of predictability, validity and reliability for their intended purpose.

There are some limitations to the items of organizational capacity, including four items which may benefit from further refinement in their precise wording to improve the sub-scale design. There may or may not be commensurability of scores between the six components, and individual variables may have different, rather than equal importance. Comparisons between the sub-scales need to be treated with caution.

The initial analysis of response rates has identified that data from the strategic political sub-group of respondents need to be treated with caution due to small base sizes for this group.

The second research question relates to the *relationship between conceptualizations of organizational capacity and the public organizational context*. Representative response rates in the two national surveys, taken together with the aggregate analysis of the survey results, indicate that targeted local authority respondents understood and were able to complete the survey instrument. This suggests that the survey instrument of organizational capacity can be applied to understand and explain perceptions of organizational capacity in public organizational contexts.

The responses provide quantitative measures of organizational capacity in 2004 and 2006. An initial analysis of the data in the two surveys begins to answer the third research question about *the extent of organizational capacity in English local authorities* and indicates that there is a spread of responses in each of the three data sets. The descriptive analysis presents an overview of those items and component dimensions in which respondents perceived greater and more limited levels of capacity. For example, the components in which local authority respondents reported the greatest extent of actual capacity in 2004 were: structural flexibility; enabling conditions; and internal alignment. The components in which respondents reported the greatest extent of expectations of capacity in 2006 were: enabling conditions; and internal alignment. The components in which respondents reported the greatest extent of actual capacity in 2006 were: enabling conditions; and structural flexibility.

There are some differences between the levels of organizational capacity in each of the three data sets. In 2004, respondents reported that the extent of organizational capacity they expected in two years was greater than actual capacity. In 2006, the reported extent of actual capacity was slightly greater than the extent of current capacity in 2004. These are amongst initial results that require more detailed exploration. In addition to longitudinal analysis whether changes have taken place and whether those changes are statistically significant, there is a need to explore differences between Beacon and non-Beacon authorities. These analyses will be conducted in the following chapter.

CHAPTER SIX: ANALYSIS OF THE SURVEY RESULTS

INTRODUCTION

Chapter Six is the second of two chapters that analyses the research results. This chapter presents the inferential statistics from the survey results on organizational capacity in English local authorities. It investigates the differences in organizational variables that can explain the extent of organizational capacity in English local authorities.

This chapter addresses the remaining two research questions. The fourth research question examines changes in organizational capacity: *what is the extent of change over time in organizational capacity in English local authorities?* This study explores temporal aspects of organizational capacity factors. These have been largely neglected in prior research in organizations and amongst populations of organizations. If an increased extent of variables related to organizational capacity is found, it may be related to increases in organizational knowledge, learning and organizational improvement, or to other factors. The fourth research question is intended to explore the distinction and overlaps between the concepts of organizational capacity and capacity building, which the literature review found to derive from different perspectives.

The fifth research question is: *is the award of Beacon status associated with greater organizational capacity and greater capacity building?* The analysis of results focuses on explanations of capacity that may be associated with organizational performance, and knowledge sharing as a means of performance improvement. Beacon status is based upon a robust assessment process for the award, and is awarded to those councils that have demonstrated service excellence and the capability to share their expert knowledge with others.

The statistical analysis of survey results intends to explore changes in organizational capacity over time; and differences in organizational capacity between two types of council, Beacon and non-Beacon councils. Chapter Six presents the longitudinal analysis and the bivariate relationships between respondents from Beacon and non- Beacon councils.

The analysis in this chapter is presented in three sections: changes in organizational capacity of all local authorities over two years; Beacon status and organizational capacity; and a chapter summary.

CHANGES IN ORGANIZATIONAL CAPACITY IN ALL LOCAL AUTHORITIES OVER TWO YEARS

In this section, the analysis aims to answer the question about the extent of change over time in organizational capacity in all local authorities. First, we

examine the results from the 2004 survey of organizational capacity in English local authorities and compare these results with the results of the 2006 survey questions on organizational capacity. Respondents to the national survey in 2006 were asked questions on the same set of 46 questions, organized into six sub-scales as in 2004, about their perceptions of their council's organizational capacity.

As explained in Chapter Four, the longitudinal design and the two tests of local authority current and future capacity in 2004, produced three data sets:

- Perceptions of actual organizational capacity in 2004;
- Perceptions of expectations of organizational capacity in 2006;
- Perceptions of actual organizational capacity in 2006.

The longitudinal element of the study incorporates two aspects of the research design. First, the research aims to examine the extent to which organizational capacity in all local authorities has increased, or decreased over two years. The organizational capacity survey gathered data at two points in time, two years apart, to compare results between local authorities in 2004 and 2006, with the aim of identifying the extent to which there have been changes over time.

Second, the research aims to investigate the processes of change in capacity and the extent to which current capacity in 2004, and predictions of expected

potential capacity in 2006, compare with *realized* capacity in reality in 2006. This research question relates to processes of change in how capacity is "built", or increases or decreases over time. The 2004 survey asked respondents about their perceptions of their council's *current* capacity; and their perception of *expected* capacity in two years time. The 2006 survey asked respondents about the actual extent of organizational capacity, two years later. This design is intended to yield more information about dynamic organizational change processes, which can be described as *"sequences of individual and collective events, actions and activities unfolding over time"* (Pettigrew et al, 2001: 700) and to increase insights into expected and actual differences among cases. This approach aims to identify patterns in expectations, compared with later reality, and to test respondents' predictions that the extent of organizational capacity in all local authorities will increase or decrease over time, between the first survey and the second survey.

An overview of the results from all authorities is presented next at the macro, dimensional level.

Results in six dimensions of organizational capacity between 2004 and 2006

First, we will examine an overview of the differences in organizational capacity over two years, based on the responses of local authority strategic and managerial respondents, to compare the extent of capacity in six component dimensions. The aim of this aspect of the research is to seek explanations of

changes in capacity and capacity "building" over time. In this section, all responses from both types of council (i.e. Beacon and non-Beacon councils) are aggregated.

The empirical framework of six dimensions and 46 items has been designed to test whether an increased extent of capacity is found in local authorities over time. The conceptual model and questionnaire design of organizational capacity were structured into six component sub-scales, each of which comprises a number of capacity items, as described in Chapter Four. The six sub-scales are: internal alignment; leadership; structural flexibility; knowledge and learning; enabling conditions; and planning and evaluation.

Figure 6.1 shows the differences between the mean scores of the six sub-scale components in each of the three data sets and between the two time periods. There are consistent patterns at the component sub-scale level across all six dimensions of organizational capacity. There may or may not be commensurability of scores between the six components, and comparisons between the sub-scales need to be treated with caution.

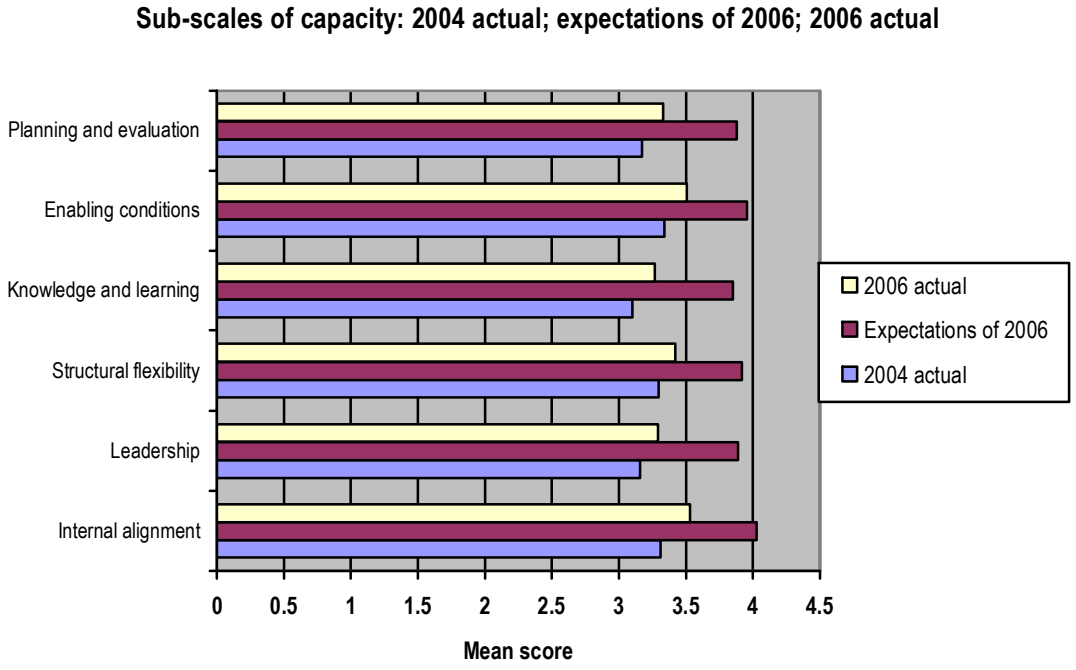
First, respondents on average reported that they were confident about their organization's capacity in 2004. Mean scores of the six components ranged between 3.10 and 3.34. In actual capacity in 2004, the three dimensions with greatest extent of capacity were: enabling conditions (mean: 3.34); internal

alignment (mean: 3.31); and structural flexibility (mean: 3.30). The three components with the lowest mean scores overall were: knowledge and learning (mean: 3.10); leadership (mean: 3.16); and planning and evaluation (mean: 3.17).

Second, respondents expected organizational capacity to increase substantially by 2006. Mean scores of the six components ranged between 3.85 and 4.03. A similar pattern to actual capacity in 2004 was found across the six dimensions of expectations of capacity in 2006. The three components with the greatest extent of capacity were: internal alignment (mean: 4.03); enabling conditions (mean: 3.96); and structural flexibility (mean: 3.93). The three components with the lowest mean scores overall were: knowledge and learning (mean: 3.85); planning and evaluation (mean: 3.88); and leadership (mean: 3.89).

Third, respondents reported that capacity had increased by 2006, but not as much as they predicted. Mean scores of the six components ranged between 3.27 and 3.53. The greatest actual capacity in 2006 was in the same three components as previously: internal alignment (mean: 3.53); enabling conditions (mean: 3.51); and structural flexibility (mean: 3.42). The least capacity was in same three components as previously: knowledge and learning (mean: 3.27); leadership (mean: 3.29); and planning and evaluation (mean: 3.33).

Figure 6.1 Differences in six component sub-scales of organizational capacity between all councils in 2004 and 2006.



Fourth, the extent of overall increase in perceptions of capacity at the component level between 2004 and 2006 in each of the six dimensions is very similar. The mean scores across the six dimensions and the two surveys remain similar. For example, compared with other five dimensions, the sub-scale dimension, Knowledge and Learning had the least extent of actual capacity in 2004 (mean: 3.10), the least extent of expectations of capacity in 2006 (mean: 3.85); and the least extent of actual capacity in 2006 (mean 3.27). In other words, the ranking of components stays the same, or very similar across the three data sets.

The comparison of differences in mean scores across all three data sets and between the six components of organizational capacity indicates that councils

reported an increase in their capacity to a similar extent in all six components, at the component sub-scale level, and across all councils. This is an important finding. There does appear to have been change in capacity over time, at least as self-reported.

However, the results related to the six component sub-scales at aggregate level may mask differences first, between perceptions of capacity items within each of the sub-components; and second between perceptions of respondents from Beacon and non-Beacon councils. These differences will be explored in the subsequent sections of this chapter. The analysis will next turn to comparisons of the respondents' perceptions of the 46 items of actual and expectations of capacity in 2006.

2004 actual capacity and expectations of capacity in 2006 for 46 items

Having undertaken a broad analysis, through examining the sub-scales, the analysis now turns to the more micro-analysis, based on frequencies for the 46 items of organizational capacity. Frequency statistics for the 46 organizational capacity variables of actual capacity in 2004 and expectations of 2006 were presented in Chapter Five (Figures 5.5 and 5.7).

To compare the difference between the extent of expected organizational capacity and the extent of actual organizational capacity in 2004, I conducted a paired samples measure t-test (Table 6.1). This is an appropriate statistical

test to use when there is one independent continuous variable, with two levels and either paired samples or repeated measures (Dewberry, 2004: 111). In this study, there are paired samples of scores from the same respondents (or roles) to each of two levels of the organizational capacity questionnaire: actual and expected capacity. One score in each pair relates to actual organizational capacity in each of the 46 items; and the other score relates to expected organizational capacity in the same item. The paired samples t-test examines whether there is a difference between the sample means for the two levels of actual organizational capacity in 2004 and expectations of 2006.

The paired samples t-test assumes that the population of scores is normally distributed. This was demonstrated in the previous chapter for both the 2004 and 2006 surveys. In fact, the paired samples t-test is a sufficiently robust technique to be used with scores drawn from populations whether they do or do not have a normal distribution (Dewberry, 2004: 130) but here this criterion is met in any case. Table 6.1 presents the mean scores and standard deviations of all respondents in each of the two levels of the 2004 survey (actual and expectations of capacity), together with the t-value, degrees of freedom and statistical significance. Significant differences are marked in bold.

The results of the t-test indicate that expected capacity was significantly higher than current capacity in all 46 items, at the $p<.001$ level. The t-value for

each of the paired samples was a minus number, which confirms that there was a greater extent of expected capacity in the future than currently in 2004. The t-statistic is statistically significant but it is also possible to determine the effect size for this difference by converting the t-value into an r-value (Field, 2005: 294). For example, the effect size for the capacity item: *Managers and staff can easily integrate innovative ideas into mainstream services* is calculated to be 0.589. This value is above .5, the threshold for a large effect, and is therefore illustrative of a substantive finding. The r-value of all 46 capacity items was above .5 and therefore there are 46 items with large effects.

Table 6.1 Paired samples t-test of 2004 actual capacity and expectations of capacity 2006 in all councils

Organizational capacity item	2004 actual capacity		Expectations of capacity 2006				
	Mean	SD	Mean	SD	t	df	Sig
Internal alignment							
Elected members, managers and staff genuinely value learning	**3.34**	**.784**	**4.06**	**.681**	**21.64**	**376**	**.000*** **
In this council, we are keen to be innovators, as well as making improvement	**3.50**	**.930**	**4.08**	**.808**	**15.92**	**380**	**.000*** **
Staff regularly contribute ideas for service improvement	**3.18**	**.868**	**4.00**	**.746**	**22.42**	**381**	**.000*** **
Staff feel proud of council achievements and good practice	**3.43**	**.961**	**4.14**	**.762**	**18.35**	**379**	**.000*** **
Managers and staff share ideas and good practice across the council	**3.06**	**.896**	**3.94**	**.748**	**22.78**	**377**	**.000*** **
Managers and staff are keen to learn new ways of doing things	**3.26**	**.892**	**4.02**	**.787**	**18.93**	**381**	**.000*** **
It's easy to try out new ideas in my service	**3.38**	**.967**	**3.96**	**.856**	**15.52**	**373**	**.000*** **
Leadership							
Elected members and managers talk positively about our aims and ambitions	**3.63**	**.866**	**4.22**	**.746**	**16.90**	**375**	**.000*** **
Managers don't just talk about improvement, they do it	**3.34**	**.876**	**4.04**	**.752**	**19.20**	**379**	**.000*** **
Elected members and managers are willing to take risks and learn from mistakes	**2.93**	**.961**	**3.62**	**.860**	**17.35**	**375**	**.000*** **

Managers constructively challenge barriers to good practice	**3.10**	**.844**	**3.82**	**.780**	**19.03**	**376**	**.000*** **
Staff understand the part they play in council aims for change and improvement	**3.13**	**.853**	**3.95**	**.761**	**21.18**	**377**	**.000*** **
Change champions really make a difference to improving services	**2.90**	**1.031**	**3.70**	**.972**	**19.07**	**369**	**.000*** **
Managers encourage sharing of ideas and information with other councils and agencies	**3.30**	**.858**	**3.96**	**.768**	**18.03**	**379**	**.000*** **
Everyone in the council is involved in a programme of cultural change	**2.90**	**1.034**	**3.77**	**.972**	**18.88**	**379**	**.000*** **
Structural flexibility							
Staff can easily work with colleagues across internal boundaries	**3.10**	**.898**	**4.04**	**.741**	**22.91**	**373**	**.000*** **
We are trying out new forms of service design that do not depend on retaining services in-house	**3.14**	**1.045**	**3.65**	**1.025**	**12.89**	**364**	**.000*** **
Members and managers tend to make important decisions with partners	**3.23**	**.830**	**3.80**	**.858**	**16.50**	**368**	**.000*** **
We get new ideas for service improvement from joint working with other agencies	**3.23**	**.905**	**3.80**	**.854**	**17.53**	**370**	**.000*** **
The council listens to its users, customers and stakeholders	**3.60**	**.854**	**4.24**	**.756**	**15.38**	**371**	**.000*** **
Elected members, managers and staff are able to work collaboratively	**3.57**	**.967**	**4.09**	**.868**	**12.98**	**366**	**.000*** **
Knowledge and learning							
Managers and staff know how to identify gaps for learning and improvement	**3.09**	**.837**	**3.88**	**.752**	**22.38**	**369**	**.000*** **
Elected members, managers and staff regularly take part in learning networks with other agencies	**2.72**	**1.008**	**3.49**	**.946**	**19.69**	**368**	**.000*** **
Managers and staff regularly seek out ideas for service improvement	**3.25**	**.821**	**3.49**	**.946**	**20.95**	**370**	**.000*** **
We encourage bringing in new ideas from outside the organisation	**3.39**	**.847**	**4.00**	**.741**	**16.06**	**368**	**.000*** **
Managers and HR officers understand how to support complex learning needs	**2.84**	**.895**	**3.62**	**.893**	**19.44**	**364**	**.000*** **
Managers and staff use performance data in everyday work	**3.21**	**1.035**	**4.10**	**.865**	**18.79**	**371**	**.000*** **
Links with national agencies are a source of ideas and improvement	**3.02**	**.946**	**3.61**	**.922**	**15.76**	**367**	**.000*** **
Staff can easily access the information they need to do their job effectively	**3.25**	**.878**	**4.06**	**.786**	**17.60**	**365**	**.000*** **
Enabling conditions							
Day to day, staff manage their own area of work effectively	**3.61**	**.667**	**4.19**	**.618**	**17.37**	**361**	**.000*** **
Staff are involved in making important decisions and plans	**3.34**	**.771**	**3.99**	**.710**	**19.46**	**364**	**.000*** **
We prefer to share information face to face	**3.29**	**.877**	**3.79**	**.830**	**12.99**	**358**	**.000*** **

Members and managers encourage diverse opinions	**3.08**	**.873**	**3.72**	**.850**	**16.82**	**363**	**.000*** **
Managers and staff learn through a wide variety of opportunities inside and outside the council	**3.19**	**.830**	**3.86**	**.763**	**18.17**	**362**	**.000*** **
We can rely on team members for maintaining high standards of work	**3.64**	**.787**	**4.10**	**.765**	**12.58**	**360**	**.000*** **
Managers know how to involve staff in making change	**3.15**	**.872**	**3.92**	**.818**	**18.33**	**360**	**.000*** **
Planning and evaluation							
We plan what we need to know	**3.09**	**.850**	**3.78**	**.754**	**18.77**	**349**	**.000*** **
Staff and managers prepare before taking part in learning activities	**2.92**	**.883**	**3.65**	**.797**	**20.10**	**357**	**.000*** **
When we have a good idea we test it and evaluate its effect	**3.11**	**.892**	**3.79**	**.774**	**19.30**	**355**	**.000*** **
The council's performance management system helps individuals to improve	**3.20**	**.992**	**4.03**	**.866**	**18.00**	**355**	**.000*** **
Managers know how to plan and implement change	**3.12**	**.874**	**3.95**	**.740**	**20.80**	**361**	**.000*** **
Managers and staff can easily integrate innovative ideas into mainstream services	**2.90**	**.874**	**3.78**	**.817**	**22.67**	**358**	**.000*** **
The council builds on past success	**3.49**	**.873**	**4.05**	**.805**	**15.79**	**361**	**.000*** **
We are good at delivering better services without needing more resources	**3.37**	**.981**	**3.89**	**.913**	**12.26**	**358**	**.000*** **
There are good opportunities to put learning into practice	**3.36**	**.814**	**3.89**	**.780**	**13.77**	**359**	**.000*** **
We evaluate and learn from new initiatives	**3.24**	**.889**	**3.91**	**.811**	**16.00**	**360**	**.000*** **

***Differences are significant p<.001

The results of the comparison of actual capacity in 2004 and expectations of capacity in 2006 confirm that respondents expected that the capacity of their council would increase substantially over the next two years, and this is shown by the significant differences, which are both large and also consistent across all items without exception. Respondents expected to increase capacity in items even where capacity was currently reported to be relatively high, for example *We can rely on team members for maintaining high standards of work* (current mean: 3.6; expected mean: 4.10); and in items

where capacity was currently reported to be relatively low, for example *Elected members, managers and staff regularly take part in learning networks with other agencies* (current mean: 2.72; expected mean: 3.49).

Capacity items with greatest anticipated increase over next two years

I examined those aspects of capacity that respondents to the 2004 survey expected to be increased to the greatest extent over the next two years. The aim of this aspect of the research is to seek explanations of changes in capacity and capacity "building" over time. The comparison between actual and expected capacity is intended to yield information about organizational change processes and to test predictions that the extent of capacity will increase or decrease over two years.

To summarize, the highest and lowest differences in perceptions of actual capacity in 2004 and expectations of capacity in 2006, are presented in Table 6.2.

Table 6.2 Items with greatest and least 2004 actual capacity and expectations of 2006

Organizational capacity item	2004 actual capacity		Expectations of capacity 2006	
	Mean	**SD**	**Mean**	**SD**
Highest mean scores				
We can rely on team members for maintaining high standards of work	3.64	.787	4.10	.765
Elected members and managers talk positively about our aims and ambitions	3.63	.866	4.22	.746
On a day to day basis, staff manage their own area of work effectively	3.61	.667	4.19	.618
The council listens to its customers, users and stakeholders	3.60	.854	4.24	.756
Elected members, managers and staff are able to work collaboratively	3.57	.967		
In this council, we are keen to be innovators, as well as making improvement	3.50	.930		
Staff feel proud of council achievements and good practice			4.14	.762
Managers and staff use performance data in everyday work			4.10	.865
Lowest mean scores				
Elected members and managers are willing to take risks and learn from mistakes	2.93	.961	3.62	.860
Staff and managers prepare before taking part in learning activities	2.92	.883	3.65	.797
Everyone in the council is involved in a programme of cultural change	2.90	1.034		
Change champions really make a difference to improving services	2.90	1.031		
Managers and staff can easily integrate innovative ideas into mainstream services	2.90	.874		
Managers and HR officers understand how to support complex learning needs	2.84	.895	3.62	.893
Elected members, managers and staff regularly take part in learning networks with other agencies	2.72	1.008	3.49	.946
We are trying out new forms of service design that do not depend on retaining services in-house			3.65	1.025
Links with national agencies are a source of ideas and improvement			3.61	.922
Managers and staff regularly seek out ideas for service improvement			3.49	.946

The differences between actual and expected levels of organizational capacity, across the 46 items, indicate that respondents anticipated an increase in their council's capacity over two years. There are some similarities

in the items with the greatest and least 2004 actual capacity; and expectations of capacity in the 2006.

By subtracting the mean score of current capacity from the mean score of expected capacity, a figure was arrived at that could be used to represent the anticipated increase in capacity over the next two years. Table 6.3 shows the five items of greatest expected increase in capacity over two years. These five items are drawn from across all 46 items and it is interesting that they are also amongst items with the lowest extent of current capacity. The item with the greatest expected increase in organizational capacity over the next two years relates to *working with colleagues across internal organizational boundaries* (difference between means 0.94).

Table 6.3 Capacity items with greatest expected increase in all councils over next two years

Organizational capacity item	2004 actual capacity	Expectations of capacity 2006	Difference between means
	Mean	**Mean**	
Staff can easily work with colleagues across internal boundaries	3.10	4.04	0.94
Managers and staff use performance data in everyday work	3.21	4.10	0.89
Managers and staff can easily integrate innovative ideas into mainstream services	2.90	3.78	0.88
Managers and staff share ideas and good practice across the council	3.06	3.94	0.88
Everyone in the council is involved in a programme of cultural change	2.90	3.77	0.87

The analysis of items of expected capacity in 2004 indicates that respondents expected a greater increase in capacity over two years in those items where current capacity was relatively low (here defined as <3.10), compared with the

highest mean scores (here defined as >3.50). A low current extent of capacity and a relatively larger expected increase in capacity suggests that respondents expected to increase capacity to a greater extent over two years in those aspects where they perceived the council's performance capacity currently to be the weakest.

Extent of capacity in 2004 and 2006

One of the main questions of this research study is whether local authorities actually increased their capacity and improved their performance over two years. The longitudinal element is intended to compare actual capacity in 2004 with actual capacity in 2006. The empirical framework has been designed to test whether an increased extent of capacity is found over time, and whether it may be related to increases in organizational knowledge, learning, improvement, or to other factors. We examine here the results of the 2004 survey and compare these with the results of the 2006 survey on organizational capacity, to consider whether or not local authorities improved. Respondents to the national survey in 2006 were asked the same set of questions as in 2004, in 46 items, about their perceptions of their council's capacity.

I used the independent samples t-test which is an appropriate test to compare differences between means, when there is one independent variable and the researcher intends to discover whether there is a significant difference

between the means of two different groups on the dependent variable (Dewberry, 2004: 120). The same people may have completed both the 2004 and 2006 survey but since some people may have changed roles or different people may have answered, it seems safest to assume independent samples.

The independent samples t-test is used when: samples are drawn from populations of scores with normal distributions; variances in these populations are reasonably homogeneous; and the scores are independent (Field, 2005: 287). In this case, we wish to know whether there is a significant difference between the mean scores on organizational capacity of all local authorities in 2004, compared with 2006.

Table 6.4 presents the results and compares the mean scores of respondents in the two surveys, together with the t-value, degrees of freedom and significance. The table identifies the statistical significance of the differences in perceptions of the levels of capacity between 2004 and 2006, which are marked in bold.

The analysis shown in Table 6.4 indicates that for the majority of variables, respondents reported that their council's extent of capacity was greater in 2006 than in 2004.

Respondents' scores in 2006 show a statistically significant increase in the capacity of their council, compared with capacity in 2004, in 32 out of the 46 items. In the remaining 14 items, there was either no change or a small but not significant increase in capacity. There was no statistically significant decrease in capacity in any item reported over the two years.

The components with the greatest number of significant differences between councils in 2004 and 2006 at micro level were: internal alignment (7 out of 7 items); and enabling conditions (7 out of 7 items). The component with the least number of significant differences at micro level was: structural flexibility (2 out of 6 items). The greatest number of bigger differences (i.e. significance level $p<.001$) were in the components: internal alignment (3 out of 7 items); and knowledge and learning (3 out of 8 items).

The greatest significant difference between mean scores in 2004 and 2006 was: *Managers and staff use performance data in everyday work* (0.44 difference between means). The least significant differences between mean scores in 2004 and 2006 were: *We prefer to share information face to face* (0.13 difference between means); *We can rely on team members for maintaining high standards of work* (0.13 difference between means); and *We plan what we need to know* (0.13 difference between means).

Table 6.4 Independent samples t-test of organizational capacity in all councils 2004 and 2006

Organizational capacity item	2004 actual capacity		2006 actual capacity				
	Mean	SD	Mean	SD	t	df	Sig
Internal alignment							
Elected members, managers and staff genuinely value learning	**3.34**	**.784**	**3.58**	**.792**	**-3.971**	**726**	**.000*** **
In this council, we are keen to be innovators, as well as making improvement	**3.50**	**.930**	**3.67**	**.972**	**-2.392**	**727**	**.017***
Staff regularly contribute ideas for service improvement	**3.18**	**.868**	**3.38**	**.822**	**-3.124**	**730**	**.002** **
Staff feel proud of council achievements and good practice	**3.43**	**.961**	**3.65**	**.875**	**-3.283**	**729.92**	**.001** **
Managers and staff share ideas and good practice across the council	**3.06**	**.896**	**3.36**	**.880**	**-4.556**	**728**	**.000*** **
Managers and staff are keen to learn new ways of doing things	**3.26**	**.892**	**3.57**	**.807**	**-4.827**	**729**	**.000*** **
It's easy to try out new ideas in my service	**3.38**	**.967**	**3.52**	**.951**	**-1.988**	**720**	**.047***
Leadership							
Elected members and managers talk positively about our aims and ambitions	3.63	.866	3.73	.903	-1.557	726	.120
Managers don't just talk about improvement, they do it	**3.34**	**.876**	**3.50**	**.810**	**-2.531**	**730**	**.012***
Elected members and managers are willing to take risks and learn from mistakes	**2.93**	**.961**	**3.12**	**1.002**	**-2.524**	**723**	**.012***
Managers constructively challenge barriers to good practice	**3.10**	**.844**	**3.27**	**.783**	**-2.812**	**724**	**.005** **
Staff understand the part they play in council aims for change and improvement	**3.13**	**.853**	**3.42**	**.837**	**-4.655**	**726**	**.000*** **
Change champions really make a difference to improving services	2.90	1.031	2.97	1.027	-.939	714	.348
Managers encourage sharing of ideas and information with other councils and agencies	3.30	.858	3.36	.853	-.846	727	.398
Everyone in the council is involved in a programme of cultural change	2.90	1.034	2.98	1.028	-1.109	727	.268
Structural flexibility							
Staff can easily work with colleagues across internal boundaries	**3.10**	**.898**	**3.40**	**.819**	**-4.711**	**723**	**.000*** **
We are trying out new forms of service design that do not depend on retaining services in-house	3.14	1.045	3.24	1.060	-1.334	711	.183
Members and managers tend to make important decisions with partners	3.23	.830	3.25	.920	-.357	717	.721

We get new ideas for service improvement from joint working with other agencies	3.23	.905	3.25	.914	-.268	722	.788
The council listens to its users, customers and stakeholders	3.60	.854	3.72	.865	-1.895	721	.058
Elected members, managers and staff are able to work collaboratively	**3.57**	**.967**	**3.73**	**.887**	**-2.322**	**720**	**.021***
Knowledge and learning							
Managers and staff know how to identify gaps for learning and improvement	**3.09**	**.837**	**3.25**	**.775**	**-2.627**	**719**	**.009****
Elected members, managers and staff regularly take part in learning networks with other agencies	2.72	1.008	2.81	.974	-1.180	718	.238
Managers and staff regularly seek out ideas for service improvement	**3.25**	**.821**	**3.42**	**.831**	**-2.733**	**719**	**.006****
We encourage bringing in new ideas from outside the organisation	**3.39**	**.847**	**3.61**	**.865**	**-3.516**	**720**	**.000*****
Managers and HR officers understand how to support complex learning needs	2.84	.895	2.94	.902	-1.501	714	.134
Managers and staff use performance data in everyday work	**3.21**	**1.035**	**3.65**	**.934**	**-5.933**	**722**	**.000*****
Links with national agencies are a source of ideas and improvement	3.02	.946	3.01	.898	.064	720	.949
Staff can easily access the information they need to do their job effectively	**3.25**	**.878**	**3.50**	**.812**	**-3.903**	**714**	**.000*****
Enabling conditions							
Day to day, staff manage their own area of work effectively	**3.61**	**.667**	**3.82**	**.642**	**-4.254**	**712**	**.000*****
Staff are involved in making important decisions and plans	**3.34**	**.771**	**3.51**	**.797**	**-2.946**	**711**	**.003****
We prefer to share information face to face	**3.29**	**.877**	**3.42**	**.830**	**-1.998**	**708**	**.046***
Members and managers encourage diverse opinions	**3.08**	**.873**	**3.27**	**.888**	**-2.869**	**711**	**.004****
Managers and staff learn through a wide variety of opportunities inside and outside the council	**3.19**	**.830**	**3.37**	**.851**	**-2.809**	**711**	**.005****
We can rely on team members for maintaining high standards of work	**3.64**	**.787**	**3.77**	**.669**	**-2.314**	**709**	**.021***
Managers know how to involve staff in making change	**3.15**	**.872**	**3.39**	**.801**	**-3.831**	**711**	**.000*****
Planning and evaluation							
We plan what we need to know	**3.09**	**.850**	**3.22**	**.822**	**-2.113**	**695**	**.035***
Staff and managers prepare before taking part in learning activities	2.92	.883	3.03	.851	-1.759	699	.079
When we have a good idea we test it and evaluate its effect	**3.11**	**.892**	**3.28**	**.837**	**-2.626**	**705**	**.009****

The council's performance management system helps individuals to improve	3.20	.992	3.34	.934	-1.836	707	.067
Managers know how to plan and implement change	**3.12**	**.874**	**3.35**	**.791**	**-3.579**	**708**	**.000*** **
Managers and staff can easily integrate innovative ideas into mainstream services	**2.90**	**.874**	**3.10**	**.848**	**-3.180**	**708**	**.002** **
The council builds on past success	**3.49**	**.873**	**3.62**	**.845**	**-2.130**	**709**	**.034***
We are good at delivering better services without needing more resources	**3.37**	**.981**	**3.58**	**.887**	**-2.978**	**708**	**.003** **
There are good opportunities to put learning into practice	3.36	.814	3.37	.769	-.121	708	.904
We evaluate and learn from new initiatives	**3.24**	**.889**	**3.38**	**.832**	**-2.108**	**708**	**.035***

***Differences are significant p<.001 ** Differences are significant p<.01 * Differences are significant p<0.05

The results of the comparison of actual capacity in 2004 and actual capacity in 2006 confirm that the organizational capacity of all councils had increased substantially over the two years, and these differences are significant.

In terms of the six sub-scales of organizational capacity there were varying extents of differences between councils in 2004 and 2006. Two sub-scale components showed significant differences in all scores over the two year period: internal alignment; and enabling conditions.

In order to focus the longitudinal results and examine changes in capacity over two years in more detail, the eleven greatest differences between perceptions of organizational capacity in all councils in 2006 compared with 2004 p<.001 are shown in Table 6.5. This table shows differences across the range of the six component sub-scales.

Table 6.5 Eleven greatest differences in organizational capacity in all councils 2004 and 2006

Organizational capacity item	2004 actual capacity	2006 actual capacity	
	Mean	Mean	Sig
Internal alignment			
Elected members, managers and staff genuinely value learning	**3.34**	**3.58**	**.000*** **
Managers and staff share ideas and good practice across the council	**3.06**	**3.36**	**.000*** **
Managers and staff are keen to learn new ways of doing things	**3.26**	**3.57**	**.000*** **
Leadership			
Staff understand the part they play in council aims for change and improvement	**3.13**	**3.42**	**.000*** **
Structural flexibility			
Staff can easily work with colleagues across internal boundaries	**3.10**	**3.40**	**.000*** **
Knowledge and learning			
We encourage bringing in new ideas from outside the organisation	**3.39**	**3.61**	**.000*** **
Managers and staff use performance data in everyday work	**3.21**	**3.65**	**.000*** **
Staff can easily access the information they need to do their job effectively	**3.25**	**3.50**	**.000*** **
Enabling conditions			
Day to day, staff manage their own area of work effectively	**3.61**	**3.82**	**.000*** **
Managers know how to involve staff in making change	**3.15**	**3.39**	**.000*** **
Planning and evaluation			
Managers know how to plan and implement change	**3.12**	**3.35**	**.000*** **

***Differences are significant p<.001

Between 2004 and 2006, there were substantial increases in the mean scores of capacity of all councils where capacity had previously been relatively high. An increased capacity where previous capacity was high was reported in: self management by staff; and encouraging new ideas from outside the council. In contrast, reported increases where capacity had previously been relatively low were in sharing ideas and good practice across the council; and working with colleagues across internal boundaries.

Of the eleven greatest increases in mean scores of capacity between 2004 and 2006, four related to learning in terms of norms and practice: members, managers and staff value learning; sharing ideas and good practice across the council; keenness to learn new ways of doing things; and encouraging new ideas from outside the council.

Three of the greatest increases in mean scores related to change: staff understanding their role in change; managers knowing how to involve staff in change; and knowing how to plan and implement change. Two increases in mean scores of capacity related to use of information and performance data.

The fourteen items where there were no significant differences in mean scores were in four of the six dimensions. In two dimensions, internal alignment and enabling conditions, all results showed a significant increase in

capacity between 2004 and 2006. The dimension with the least difference in mean scores was structural flexibility.

Of the fourteen items where there was no significant difference in mean scores over two years, the two lowest mean scores, that remained amongst the lowest scores in both 2004 and 2006 were in items: *Elected members, managers and staff regularly take part in learning networks with other agencies*; and *Managers and HR officers understand how to support complex learning needs*.

Seven of the fourteen items where there was no significant difference in mean scores over two years across all councils were associated with external relationships with external bodies and national agencies for knowledge sharing, learning and decision-making. Other aspects where there was no significant difference related to service design, learning, cultural change and promotion of council aims and ambitions.

In summary of the eleven greatest differences in capacity over two years in all councils, these results show that there were significant differences in terms of sharing ideas, learning and change within and across the council. In contrast, in summary of the fourteen items where the results did not show differences over two years in all councils, there was no significant difference in terms of

external relationships between the council and other agencies for knowledge-sharing, learning and decision-making.

Summary: changes in organizational capacity over two years

In summary of this section, there are four main findings.

At the component level there is a consistent pattern across all six dimensions, the two time periods, and the three data sets. In the 2004 survey, respondents reported that they expected an increase in their council's capacity in two years. In the 2006 survey, respondents reported an increased extent of capacity in each component, but the results indicated that the difference was to a lesser extent than expected in 2004. The extent of overall increase in perceptions of capacity at the component level between 2004 and 2006 in each of the six dimensions is very similar.

In 2004, the mean scores of expectations of capacity were found to be significantly higher than actual capacity in all 46 items, $p<.001$. Respondents expected a greater increase in capacity over two years in those items where current capacity was relatively low (defined here as <3.10), compared with the highest mean scores (defined here as >3.50).

Respondents in 2006 reported a substantial difference in the capacity of their council, compared with organizational capacity in 2004, in 32 out of the 46

items. These results showed statistically significant differences at the p<.001 level. There was no statistically significant decrease in capacity reported in any item over the two years.

The greatest significant increases in capacity over two years in all councils were in terms of sharing ideas, learning and change within and across the council. The least differences were in terms of external relationships between the council and other agencies for knowledge-sharing, learning and decision-making.

BEACON STATUS AND ORGANIZATIONAL CAPACITY

So far, the analysis has taken an overview across all councils but now in this section, the analysis focuses on the independent variables: Beacon and non-Beacon councils. This aspect of the research examines explanations of capacity that may be associated with first, better performing councils; and second with organizational sharing of knowledge and service improvement. The reasoning is as follows: those councils that are classified as Beacons for the purpose of this research had been independently assessed to be amongst the best performing English local authorities, therefore Beacon councils can be treated as better performing councils, compared with non-Beacon councils; and amongst criteria for their selection, Beacon councils are actively engaged in improvement by sharing knowledge with other organizations.

The survey results were analysed to compare the differences in response between those authorities that were Beacon councils and those that were not Beacon councils in the 2004 survey; and in the 2006 survey. The assumption is that Beacon councils will score higher on capacity than non-Beacon councils. As in the previous section, broad analysis is at the component dimensional level; and micro analysis is based on the frequencies at the item level.

First, the analysis focuses on the dimensional level of organizational capacity, so as to provide an overview of differences between Beacon and non-Beacon councils across the three data sets and two surveys. Second, the analysis compares the mean levels of perceptions of actual organizational capacity in 2004 between respondents from Beacon and non-Beacon councils. Third, the mean levels of expectations of organizational capacity in 2006 are compared between Beacon and non-Beacon councils. Fourth, the analysis compares the mean levels of actual organizational capacity in 2006 between Beacon and non-Beacon councils.

I used the independent samples t-test which is an appropriate test to compare differences between means of Beacon and non-Beacon councils, when there is one independent variable and the researcher intends to discover whether there is a significant difference between the means of two different groups on the dependent variable (Dewberry, 2004: 120). In this case, we wish to know

whether there is a significant difference between the mean scores on organizational capacity of Beacon and non-Beacon authorities.

Dimensional level of organizational capacity: Beacon and non-Beacon councils

In this section, we draw together the results of the analysis at the broad, dimension level of the independent variables. I examined the differences between Beacon and non-Beacon councils at the component level of organizational capacity, in each of the three datasets and each of the two surveys.

In addition to providing a comparison between Beacon and non-Beacon councils' perceptions of organizational capacity within each of the three datasets, the component level of analysis can provide an overview of the differences between the independent variables across the two surveys. On the one hand, the dimensional level of analysis has some limitations as it compares differences at an aggregate level and may not yield subtle distinctions. The advantage of the dimensional level of analysis on the other hand, is that it is more convenient for visual representation of the differences between the two types of council, across the three datasets. The same analyses are presented twice: first in tabular form; and second in bar charts.

I conducted independent samples t-tests to compare the differences in aggregated mean scores of perceptions of organizational capacity at the

dimension level between Beacon and non-Beacon councils: 2004 actual capacity (Table 6.6); expectations of 2006 (Table 6.7); and 2006 actual capacity (Table 6.8).

Table 6.6 Independent samples t-test
Dimensions of 2004 actual capacity Beacon and non-Beacon councils

Organizational capacity component	Beacon		Non-Beacon				
	Mean	SD	Mean	SD	t	df	Sig. (2-tailed)
Internal alignment	24.46	4.192	21.82	4.420	4.642	240	.000***
Leadership	26.48	4.842	23.78	5.138	4.036	234	.000***
Structural flexibility	20.43	3.201	19.23	3.825	2.453	233	.015*
Knowledge and learning	26.38	4.854	23.15	4.809	4.951	232	.000***
Enabling conditions	24.10	3.788	22.28	3.881	3.498	229	.001**
Planning and evaluation	33.74	6.330	29.76	5.827	4.765	220	.000***

Table 6.7 Independent samples t-test
Dimensions of expectations of 2006 capacity Beacon and non-Beacon councils

Organizational capacity component	Beacon		Non-Beacon				
	Mean	SD	Mean	SD	t	df	Sig. (2-tailed)
Internal alignment	29.15	3.741	27.81	4.241	2.476	235	.014*
Leadership	32.25	4.754	30.59	5.344	2.440	237	.015*
Structural flexibility	24.07	3.506	23.05	3.981	1.212	232	.227
Knowledge and learning	32.15	4.426	30.12	5.231	3.015	230	.003**
Enabling conditions	28.41	3.965	27.28	4.009	2.051	221	.041*
Planning and evaluation	40.52	5.836	37.51	6.271	3.531	217	.001**

Table 6.8 Independent samples t-test
Dimensions of 2006 actual capacity Beacon and non-Beacon councils

Organizational capacity component	Beacon		Non-Beacon				
	Mean	SD	Mean	SD	t	df	Sig. (2-tailed)
Internal alignment	27.94	3.981	23.76	4.183	6.072	182	.000***
Leadership	29.10	4.999	25.34	4.772	4.690	182	.000***
Structural flexibility	22.36	3.421	19.59	3.700	4.608	183	.000***
Knowledge and learning	28.82	4.457	25.32	4.698	4.571	184	.000***
Enabling conditions	26.33	3.771	24.39	3.606	3.177	182	.002**
Planning and evaluation	36.88	5.412	32.20	5.404	5.223	181	.000***

***Differences are significant (p<.001) ** (p<.01) * (p<0.05)

The results of the analysis at dimensional level show that there are substantial differences in organizational capacity by Beacon councils compared with non-Beacon councils, and that these differences are significant in each of the two survey periods; and all three datasets.

Beacon councils compared with non-Beacon councils reported a greater extent of capacity in all six components of actual organizational capacity in 2004 (table 6.6). Differences in four out of six components were significant at the p<.001 level.

There were significant differences between Beacon and non-Beacon councils' extent of expectations of capacity in 2006, in five out of six components, but to a slightly lesser extent than differences between them in 2004 actual capacity (table 6.7). There was no significant difference between Beacon and non-

Beacon councils' expected capacity in only one component: *structural flexibility.*

Beacon councils reported a greater extent of actual capacity than non-Beacon councils in all six components in 2006 (table 6.8). Differences in five out of six components were significant at the p<.001 level.

The comparison between Beacon councils' and non-Beacon councils' organizational capacity at dimensional level and in each of the three datasets is displayed in three bar charts (Figures 6.2; 6.3; and 6.4), to aid understanding of the relationships (Collis and Hussey, 2003).

Figure 6.2 Dimensions of Beacon and non-Beacon councils' 2004 actual capacity

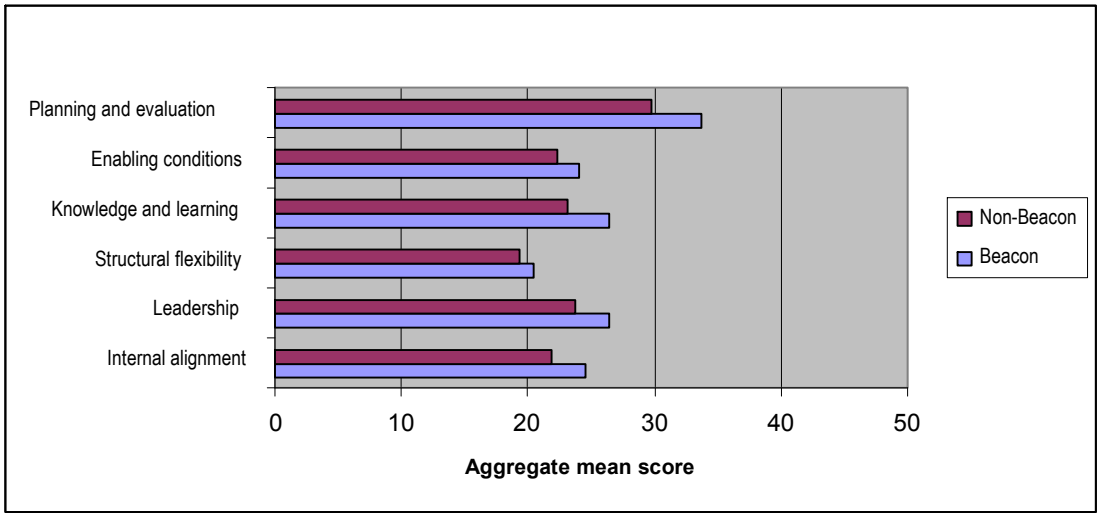


Figure 6.3 Dimensions of Beacon and non-Beacon councils' expectations of capacity 2006

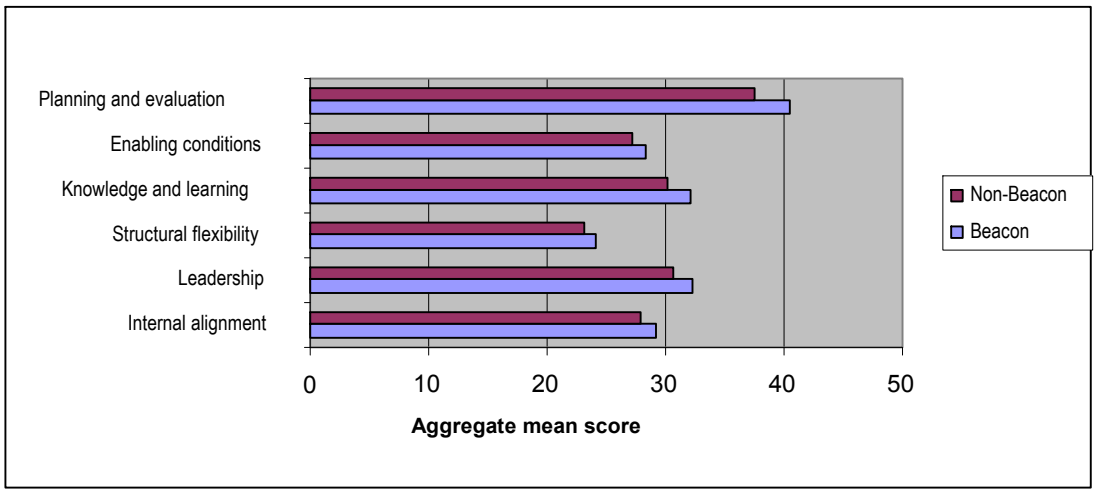
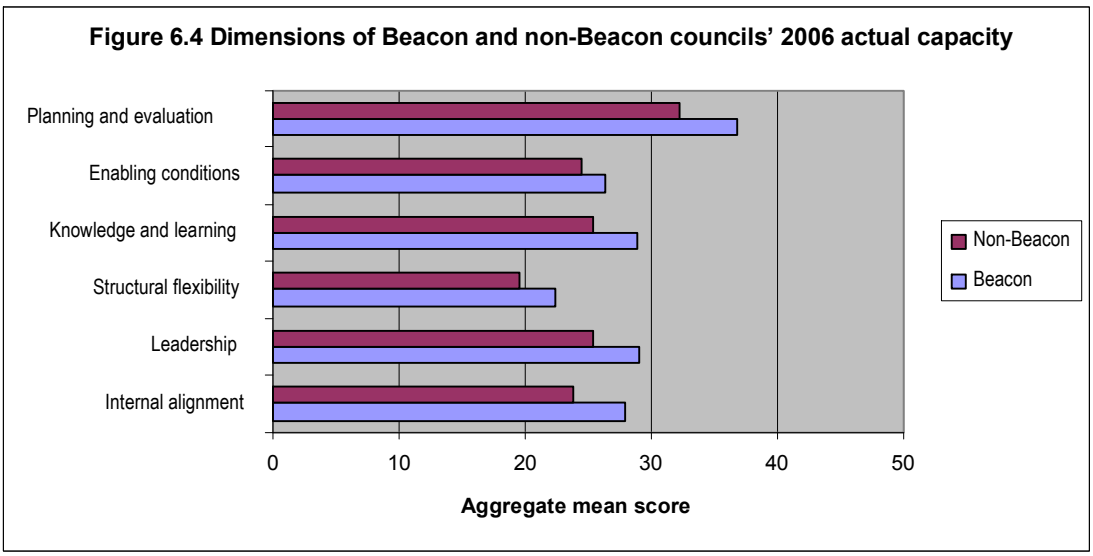


Figure 6.4 Dimensions of Beacon and non-Beacon councils' 2006 actual capacity

Figure 6.4 Dimensions of Beacon and non-Beacon councils' 2006 actual capacity



Summary: dimensional level of organizational capacity and Beacon councils

To summarize this section, there were significant differences between Beacon and non-Beacon councils at the dimensional level of organizational capacity. Differences were statistically significant in all six components in the three datasets in 2004 and 2006, with the exception of one component of expected capacity in 2004. Those councils that were judged to be better performing and that shared organizational knowledge (i.e. Beacon councils) had a greater level of capacity than those councils that had not been awarded Beacon status. Differences were particularly marked in actual capacity in 2004 and 2006, indicating that the award of Beacon status is associated with greater organizational capacity; an increase in capacity; and a sustained level of greater organizational capacity over two years.

2004 actual organizational capacity: Beacon and non-Beacon councils

Having undertaken a broad analysis comparing Beacon and non-Beacon councils through examining the sub-scales, the analysis now turns to the more micro-analysis, based on frequencies for the 46 items of organizational capacity. The aim of this part of the analysis is to consider in more detail whether the award of Beacon status is associated with greater organizational capacity and greater capacity building. It aims to examine the extent to which capacity is associated with organizational performance, and knowledge sharing as a means of performance improvement.

First, the analysis compares the mean levels of perceptions of actual organizational capacity in 2004 between respondents from Beacon and non-Beacon councils. The mean organizational capacity scores of Beacon and non-Beacon councils in 2004 were compared using an independent samples t-test.

The dimensions with the greatest proportion of significant differences at micro level were: internal alignment (seven out of seven significantly different mean scores); and enabling conditions (seven out of seven mean scores). In contrast, there were most non-significant differences in the structural flexibility dimension (only two out of six mean scores were significantly different).

The greatest number of bigger differences (i.e. significance level $p<.001$) were in the dimensions: internal alignment (three out of seven significantly different mean scores at this level); knowledge and learning (three out of eight mean scores); and planning and evaluation (four out of ten mean scores).

Table 6.9 compares the mean scores of Beacon and non-Beacon respondents in the 2004 survey of actual capacity, together with the t-value, degrees of freedom and significance. Statistically significant differences are marked in bold.

The analysis shows that there were substantial differences between Beacon and non-Beacon councils and a significantly greater extent of actual capacity in Beacon compared with non-Beacon councils, in 42 out of 46 mean scores. This is a very significant pattern, suggesting clear differences in capacity.

At the item level, a number of patterns can be observed. Amongst the biggest differences between Beacon and non-Beacon councils' mean scores of actual capacity in 2004, differences were marked in aspects related to innovation; seeking and sharing knowledge; and learning with agencies and others outside the council. For example, there is a significant difference between Beacon and non-Beacon authorities' perceptions of organizational capacity item: *Elected members, managers and staff genuinely value learning,* $t\ (246) = 4.38$, $p = .000$. Beacon councils' results showed big differences in mean scores compared with non-Beacons on risk-taking; knowing how to identify gaps for learning and improvement; and evaluating and learning from new initiatives.

Table 6.9 Independent samples t-test of 2004 actual capacity Beacon and non-Beacon councils

Organizational capacity item	Beacon		Non-Beacon				
	Mean	SD	Mean	SD	t	df	Sig
Internal alignment							
Elected members, managers and staff genuinely value learning	**3.59**	**.688**	**3.18**	**.749**	**4.327**	**246**	**.000*** **
In this council, we are keen to be innovators, as well as making improvement	**3.83**	**.867**	**3.24**	**.903**	**5.108**	**247**	**.000*** **
Staff regularly contribute ideas for service improvement	**3.26**	**.841**	**3.02**	**.877**	**2.108**	**249**	**.036***
Staff feel proud of council achievements and good practice	**3.71**	**.825**	**3.18**	**.970**	**4.483**	**249**	**.000*** **
Managers and staff share ideas and good practice across the council	**3.16**	**.846**	**2.87**	**.897**	**2.595**	**248**	**.010***
Managers and staff are keen to learn new ways of doing things	**3.46**	**.954**	**3.08**	**.815**	**3.26**	**183**	**.001****
It's easy to try out new ideas in my service	**3.48**	**.911**	**3.21**	**.990**	**2.122**	**245**	**.035***
Leadership							
Elected members and managers talk positively about our aims and ambitions	**3.78**	**.794**	**3.44**	**.899**	**3.038**	**246**	**.003****
Managers don't just talk about improvement, they do it	**3.50**	**.777**	**3.20**	**.913**	**2.665**	**249**	**.008****
Elected members and managers are willing to take risks and learn from mistakes	**3.05**	**.858**	**2.72**	**.991**	**2.788**	**225**	**.006****
Managers constructively challenge barriers to good practice	**3.23**	**.715**	**2.87**	**.836**	**3.502**	**244**	**.001****
Staff understand the part they play in council aims for change and improvement	**3.27**	**.868**	**2.98**	**.839**	**2.641**	**246**	**.009****
Change champions really make a difference to improving services	**3.19**	**.910**	**2.66**	**.994**	**4.236**	**245**	**.000*** **
Managers encourage sharing of ideas and information with other councils and agencies	**3.48**	**.906**	**3.09**	**.805**	**3.571**	**246**	**.000*** **
Everyone in the council is involved in a programme of cultural change	**3.05**	**1.014**	**2.70**	**1.007**	**2.687**	**248**	**.008****
Structural flexibility							
Staff can easily work with colleagues across internal boundaries	**3.28**	**.803**	**3.00**	**.896**	**2.484**	**243**	**.014***
We are trying out new forms of service design that do not depend on retaining services in-house	3.14	.989	3.16	1.055	-.098	240	.922
Members and managers tend to make important decisions with partners	3.24	.807	3.12	.866	1.110	242	.268
We get new ideas for service improvement from joint working with other agencies	3.29	.854	3.07	.879	1.968	244	.050
The council listens to its users, customers and stakeholders	**3.86**	**.727**	**3.43**	**.883**	**4.151**	**224**	**.000*** **

Elected members, managers and staff are able to work collaboratively	3.69	.892	3.45	.991	1.923	243	.056
Knowledge and learning							
Managers and staff know how to identify gaps for learning and improvement	**3.32**	**.744**	**2.89**	**.826**	**4.020**	**240**	**.000*** **
Elected members, managers and staff regularly take part in learning networks with other agencies	**2.89**	**1.048**	**2.53**	**.962**	**2.708**	**241**	**.007** **
Managers and staff regularly seek out ideas for service improvement	**3.47**	**.765**	**3.02**	**.785**	**4.395**	**241**	**.000*** **
We encourage bringing in new ideas from outside the organisation	**3.50**	**.791**	**3.18**	**.828**	**2.968**	**240**	**.003** **
Managers and HR officers understand how to support complex learning needs	**2.98**	**.789**	**2.69**	**.953**	**2.552**	**217**	**.011***
Managers and staff use performance data in everyday work	**3.48**	**1.022**	**2.99**	**1.003**	**3.683**	**242**	**.000*** **
Links with national agencies are a source of ideas and improvement	**3.14**	**1.001**	**2.74**	**.857**	**3.296**	**242**	**.001** **
Staff can easily access the information they need to do their job effectively	**3.45**	**.817**	**3.08**	**.909**	**3.156**	**240**	**.002** **
Enabling conditions							
Day to day, staff manage their own area of work effectively	**3.71**	**.672**	**3.52**	**.655**	**2.077**	**237**	**.039***
Staff are involved in making important decisions and plans	**3.44**	**.763**	**3.16**	**.780**	**2.757**	**237**	**.006** **
We prefer to share information face to face	3.34	.829	3.15	.869	1.628	235	.105
Members and managers encourage diverse opinions	**3.18**	**.811**	**2.90**	**.863**	**2.555**	**238**	**.011***
Managers and staff learn through a wide variety of opportunities inside and outside the council	**3.38**	**.800**	**3.00**	**.830**	**3.531**	**238**	**.000*** **
We can rely on team members for maintaining high standards of work	**3.77**	**.765**	**3.47**	**.795**	**2.803**	**236**	**.005** **
Managers know how to involve staff in making change	**3.32**	**.864**	**2.91**	**.841**	**3.632**	**239**	**.000*** **
Planning and evaluation							
We plan what we need to know	**3.25**	**.913**	**2.89**	**.840**	**3.070**	**232**	**.002** **
Staff and managers prepare before taking part in learning activities	**3.07**	**.946**	**2.74**	**.850**	**2.759**	**233**	**.006** **
When we have a good idea we test it and evaluate its effect	**3.19**	**.868**	**2.93**	**.892**	**2.165**	**235**	**.031***
The council's performance management system helps individuals to improve	**3.41**	**.943**	**3.00**	**.962**	**3.197**	**237**	**.002** **
Managers know how to plan and implement change	**3.27**	**.857**	**2.82**	**.839**	**3.997**	**237**	**.000*** **
Managers and staff can easily integrate innovative ideas into mainstream services	**3.05**	**.794**	**2.65**	**.825**	**3.705**	**236**	**.000*** **
The council builds on past success	**3.71**	**.779**	**3.22**	**.876**	**4.405**	**238**	**.000*** **

We are good at delivering better services without needing more resources	**3.64**	**1.009**	**3.22**	**.985**	**3.186**	**237**	**.002****
There are good opportunities to put learning into practice	**3.55**	**.817**	**3.20**	**.793**	**3.284**	**237**	**.001****
We evaluate and learn from new initiatives	**3.45**	**.820**	**2.99**	**.884**	**3.989**	**237**	**.000*****

***Differences are significant p<.001 ** Differences are significant p<.01 * Differences are significant p<0.05

The significant t-test results indicate that there is a difference in the perceptions of actual organizational capacity in 2004 between the two groups, Beacon and non-Beacon councils, in the majority of items. The results suggest that being a Beacon council is positively related to a greater extent of organizational capacity but this relationship cannot be explained as a causal link (Dewberry, 2004: 129).

The four items in which the t-test results indicate that there was no significant difference between Beacon and non-Beacon authorities are worthy of comment. All four items relate to the component sub-scale, structural flexibility. These four items were: *We are trying out new forms of service design that do not depend on retaining services in-house; Members and managers tend to make important decisions with partners; We get new ideas for service improvement from joint working with other agencies;* and *Elected members, managers and staff are able to work collaboratively.*

This result suggests that Beacon and non-Beacon authorities were more similar than different from one another in 2004 in those aspects of

organizational capacity that relate to flexible and collaborative working internally, working with partner agencies, and outsourcing of services.

Expectations of organizational capacity 2006: Beacon and non-Beacon councils

We now compare the mean levels of *expectations* of organizational capacity in 2006 between Beacon and non-Beacon councils. This aspect of comparison between the independent variables relates to whether there are differences between Beacon and non-Beacon councils' expectations of capacity over two years. The mean organizational capacity scores of Beacon and non-Beacon councils in 2004 were compared using an independent samples t-test. Table 6.10 compares the mean scores of Beacon and non-Beacon respondents in the 2004 survey of expected capacity, together with the t-value, degrees of freedom and significance. Significant differences are in bold.

Table 6.10 Independent samples t-test of expectations of capacity 2006 Beacon and non-Beacon councils

Organizational capacity item	Beacon		Non-Beacon				
	Mean	SD	Mean	SD	t	df	Sig (2-tailed)
Internal alignment							
Elected members, managers and staff genuinely value learning	4.13	.700	4.03	.658	1.13	247	0.261
In this council, we are keen to be innovators, as well as making improvement	**4.31**	**.782**	**3.94**	**.813**	**3.54**	**248**	**0.000*** **
Staff regularly contribute ideas for service improvement	4.10	.711	3.95	.750	1.62	249	0.106
Staff feel proud of council achievements and good practice	**4.36**	**.724**	**4.09**	**.780**	**2.79**	**247**	**0.006****
Managers and staff share ideas and good practice across the council	4.06	.674	3.91	.769	1.62	246	0.107
Managers and staff are keen to	**4.17**	**.825**	**3.96**	**.754**	**2.10**	**248**	**0.037***

learn new ways of doing things							
It's easy to try out new ideas in my service	4.07	.753	3.86	.896	1.94	243	0.053
Leadership							
Elected members and managers talk positively about our aims and ambitions	**4.38**	**.728**	**4.15**	**.752**	**2.44**	**246**	**0.015***
Managers don't just talk about improvement, they do it	4.18	.662	4.01	.807	1.72	248	0.086
Elected members and managers are willing to take risks and learn from mistakes	3.64	.793	3.59	.895	0.48	247	0.630
Managers constructively challenge barriers to good practice	**3.96**	**.644**	**3.74**	**.838**	**2.37**	**238**	**0.019***
Staff understand the part they play in council aims for change and improvement	**4.11**	**.738**	**3.90**	**.771**	**2.22**	**247**	**0.027***
Change champions really make a difference to improving services	**3.98**	**.870**	**3.55**	**.989**	**3.57**	**221**	**0.000*****
Managers encourage sharing of ideas and information with other councils and agencies	**4.09**	**.789**	**3.86**	**.789**	**2.28**	**246**	**0.024***
Everyone in the council is involved in a programme of cultural change	3.91	1.011	3.71	.951	1.54	248	0.125
Structural flexibility							
Staff can easily work with colleagues across internal boundaries	4.13	.726	4.05	.775	0.83	243	0.406
We are trying out new forms of service design that do not depend on retaining services in-house	3.65	1.026	3.72	.991	-0.57	241	0.572
Members and managers tend to make important decisions with partners	3.85	.829	3.76	.887	0.71	242	0.478
We get new ideas for service improvement from joint working with other agencies	3.86	.846	3.73	.883	1.16	243	0.247
The council listens to its users, customers and stakeholders	**4.42**	**.662**	**4.19**	**.763**	**2.41**	**244**	**0.017***
Elected members, managers and staff are able to work collaboratively	4.26	.816	4.03	.915	1.92	242	0.056
Knowledge and learning							
Managers and staff know how to identify gaps for learning and improvement	**4.05**	**.751**	**3.75**	**.732**	**3.13**	**240**	**0.002****
Elected members, managers and staff regularly take part in learning networks with other agencies	3.61	.913	3.39	.976	1.71	240	0.089
Managers and staff regularly seek out ideas for service improvement	**4.17**	**.705**	**3.92**	**.753**	**2.61**	**241**	**0.010***
We encourage bringing in new ideas from outside the organisation	**4.14**	**.728**	**3.92**	**.747**	**2.28**	**238**	**0.024***
Managers and HR officers understand how to support complex learning needs	3.79	.837	3.59	.898	1.70	239	0.090
Managers and staff use performance data in everyday work	**4.34**	**.763**	**4.05**	**.873**	**2.59**	**239**	**0.010***

Links with national agencies are a source of ideas and improvement	3.70	.949	3.48	.934	1.76	238	0.080
Staff can easily access the information they need to do their job effectively	**4.29**	**.602**	**3.97**	**.874**	**3.00**	**239**	**0.003****
Enabling conditions							
Day to day, staff manage their own area of work effectively	4.28	.654	4.16	.620	1.40	233	0.162
Staff are involved in making important decisions and plans	4.05	.761	3.96	.730	0.96	237	0.336
We prefer to share information face to face	3.84	.793	3.69	.855	1.26	233	0.208
Members and managers encourage diverse opinions	3.78	.810	3.69	.832	0.85	238	0.394
Managers and staff learn through a wide variety of opportunities inside and outside the council	3.98	.802	3.80	.753	1.75	238	0.082
We can rely on team members for maintaining high standards of work	**4.23**	**.776**	**4.01**	**.749**	**2.14**	**236**	**0.033***
Managers know how to involve staff in making change	**4.12**	**.668**	**3.82**	**.876**	**3.03**	**224**	**0.003****
Planning and evaluation							
We plan what we need to know	**3.91**	**.717**	**3.68**	**.768**	**2.23**	**233**	**0.026***
Staff and managers prepare before taking part in learning activities	3.74	.828	3.58	.822	1.42	234	0.156
When we have a good idea we test it and evaluate its effect	3.89	.767	3.69	.804	1.90	234	0.059
The council's performance management system helps individuals to improve	**4.20**	**.824**	**3.95**	**.869**	**2.17**	**233**	**0.031***
Managers know how to plan and implement change	**4.02**	**.683**	**3.79**	**.761**	**2.45**	**206**	**0.015***
Managers and staff can easily integrate innovative ideas into mainstream services	**3.93**	**.757**	**3.56**	**.822**	**3.56**	**203**	**0.000*****
The council builds on past success	**4.25**	**.662**	**3.91**	**.868**	**3.20**	**235**	**0.002****
We are good at delivering better services without needing more resources	4.05	.923	3.84	.944	1.75	236	0.082
There are good opportunities to put learning into practice	3.99	.800	3.81	.760	1.76	232	0.080
We evaluate and learn from new initiatives	**4.00**	**.789**	**3.78**	**.858**	**2.02**	**236**	**0.044***

***Differences are significant p<.001 ** Differences are significant p<.01 * Differences are significant p<0.05

The significant t-test results indicate that there is a difference in the expected organizational capacity in two years between the two groups, Beacon and non-Beacon councils, in approximately half of the items.

In terms of the six sub-scales of expectations of organizational capacity in 2006, there were varying extents of differences between Beacon and non-Beacon councils. The dimensions with the greatest proportion of significant differences at micro level were: leadership (five out of eight significantly different mean scores); knowledge and learning (five out of eight mean scores); and planning and evaluation (six out of ten mean scores).

In contrast, there were fewer significant differences of expected capacity between Beacon and non-Beacon councils in the remaining three sub-scale components. The dimensions with the least significant differences were: internal alignment (three out of seven significantly different mean scores); enabling conditions (two out of seven mean scores); and structural flexibility (one out of six mean scores).

Analysis of these results at the sub-scale component level shows that respondents from Beacon councils reported greater levels of expected capacity compared with non-Beacon councils over the next two years in their capacity for three of the six dimensions: leadership, knowledge and learning, and planning and evaluation.

These results suggest that the greatest differences between expectations of capacity over two years between Beacon and non-Beacon councils were in leadership, knowledge and planning. In contrast, the results show the least

differences in expectations of capacity between Beacon and non-Beacon councils over the next two years in their capacity for structural flexibility and enabling conditions.

The analysis shows that Beacon councils reported a significantly greater extent of expected capacity in their organization than non-Beacon councils in 21 out of 46 items. For example, there is a significant difference between Beacon and non-Beacon authorities' perceptions of organizational capacity item: *In this council, we are keen to be innovators, as well as making improvement,* t (248) = 3.54, p = .000

Compared with the differences between Beacon and non-Beacon councils' actual capacity in 2004, there were fewer differences in expectations of capacity in 2006; 21 out of 46 mean scores of 2004 actual capacity, compared with 42 out of 46 mean scores of expectations of capacity were significantly different between the two types of council.

Expectations of organizational capacity 2006: Beacon and non-Beacon councils' most significant differences

To focus the results of the differences in expected capacity further, the following Table 6.11 shows the nine most significant differences in expectations between Beacon and non-Beacon respondents. Significant differences are marked in bold. These differences indicate that overall, respondents from Beacon authorities expected to have greater capacity to be

innovative, seek out and integrate new ideas, effect change, and be proud of achievements than their counterparts from non-Beacon authorities.

Table 6.11 Expectations of capacity 2006 Beacon and non-Beacon councils' most significant differences

Organizational capacity item	Beacon Mean	Non Beacon Mean	*t*	df	Sig. (2-tailed)
In this council, we are keen to be innovators, as well as making improvement	**4.31**	**3.94**	**3.54**	**248**	**0.000*** **
Change champions really make a difference to improving services	**3.98**	**3.55**	**3.57**	**221**	**0.000*** **
Managers and staff can easily integrate innovative ideas into mainstream services	**3.93**	**3.56**	**3.56**	**203**	**0.000*** **
Staff feel proud of council achievements and good practice	**4.36**	**4.09**	**2.79**	**247**	**0.006** **
Managers and staff know how to identify gaps for learning and improvement	**4.05**	**3.75**	**3.13**	**240**	**0.002** **
Staff can easily access the information they need to do their job effectively	**4.29**	**3.97**	**3.00**	**239**	**0.003** **
Managers understand how to involve staff in making change	**4.12**	**3.82**	**3.03**	**224**	**0.003** **
The council builds on past success	**4.25**	**3.91**	**3.20**	**235**	**0.002** **
Managers and staff regularly seek out ideas for service improvement	**4.17**	**3.92**	**2.61**	**241**	**0.010** *

***Differences are significant p<.001 ** Differences are significant p<.01 * Differences are significant p<0.05

A selective analysis examined the ten highest ranked items for each group (Beacons and non-Beacons) from the 2004 survey. I compared the ten highest ranked items of expected future capacity by Beacon councils and non-Beacon councils (Table 6.12). Rankings are marked in bold. The scores were similar across the two groups, but they were higher for Beacon councils for all items in the list. Only three of the highest ten items differed between the two groups. These items are italicised in the table below.

Table 6.12 Expectations of capacity 2006 Beacon and non-Beacon councils. Ten highest ranked items

Organizational capacity item	Beacon			Non-Beacon		
	Mean	**SD**	**Rank**	**Mean**	**SD**	**Rank**
The council listens to its users, customers and stakeholders	4.42	0.66	**1**	4.19	0.76	**1**
Elected members and managers talk positively about our aims and ambitions	4.38	0.73	**2**	4.15	0.75	**3**
Staff feel proud of council achievements and good practice	4.36	0.72	**3**	4.09	0.78	**4**
Managers and staff use performance data in their everyday work	4.34	0.76	**4**	4.05	0.87	**5**
In this council, we are keen to be innovators, as well as making improvement	4.31	0.78	**5**			
Staff can easily access the information they need to do their job effectively	4.29	0.60	**6**			
On a day to day basis, staff manage their own area of work effectively	4.28	0.65	**7**	4.16	0.62	**2**
Elected members, managers and staff are able to work collaboratively	4.26	0.82	**8**	4.03	0.92	**7**
The council builds on past success	4.25	0.66	**9**			
We can rely on team members for maintaining high standards of work	4.23	0.78	**10**	4.01	0.75	**9**
Staff can easily work with colleagues across internal boundaries				4.05	0.77	**6**
Elected members, managers and staff genuinely value learning				4.03	0.66	**8**
Managers don't just talk about improvement, they do it				4.01	0.81	**10**

All respondents shared seven out of ten items of organizational capacity that they expected would be the highest in their council in the next two years. Amongst similarities, all councils expected increase in their organizational capacity to listen to users, customers and stakeholders. Positive attitudes to council aims; and pride in achievements were also expected to be higher in two years time.

The differences between the Beacon and non-Beacon highest ranked items of expected capacity suggest that Beacon authorities expected to increase their innovative capacity and build on past success, whereas non-Beacon

authorities expected to increase their capacity in valuing learning, and actively making improvement, over the next two years.

2006 actual capacity: Beacon and non-Beacon councils

Having examined the differences in responses between Beacon and non-Beacon councils in the 2004 survey, the analysis next turns to differences between the two types of council in the 2006 survey. This aspect of the research aims to examine whether Beacon councils increased their actual capacity to a greater extent compared with non-Beacons.

In terms of the six sub-scales of organizational capacity in 2006 (table 6.8), there were varying extents of differences between Beacon and non-Beacon councils. The three dimensions with the greatest proportion of significant differences at micro level were: leadership (eight out of eight significantly different mean scores); internal alignment (seven out of seven mean scores).

In contrast, there were fewer significant differences of expected capacity between Beacon and non-Beacon councils in other dimensions. There were least significant differences in the dimension enabling conditions (four out of seven significantly different mean scores).

The analysis now compares the mean levels of actual organizational capacity in 2006 at the micro-level between Beacon and non-Beacon councils. The

mean organizational capacity scores of Beacon and non-Beacon councils in 2006 were compared using an independent samples t-test. Table 6.13 compares the mean scores of Beacon and non-Beacon respondents in the 2006 survey of current capacity, together with the t-value, degrees of freedom and significance. Statistically significant differences are marked in bold.

The analysis shows that respondents from Beacon councils reported a substantially greater extent of capacity in 2006 in their organization than those from non-Beacon councils in 36 out of 46 items and these differences are significant. This a very consistent pattern, suggesting clear differences in capacity between Beacon and non-Beacon councils. For example, there is a significant difference between Beacon and non-Beacon authorities' perceptions of organizational capacity item: *Staff regularly contribute ideas for service improvement,* $t\ (184) = 3.93$, $p = .000$

Table 6.13 Independent samples t-test of actual capacity 2006 Beacon and non-Beacon councils

Organizational capacity item	Beacon		Non-Beacon				
	Mean	SD	Mean	SD	t	df	Sig (2-tailed)
Internal alignment							
Elected members, managers and staff genuinely value learning	**3.92**	**.804**	**3.51**	**.779**	**3.118**	**184**	**.002****
In this council, we are keen to be innovators, as well as making improvement	**4.34**	**.772**	**3.40**	**1.020**	**5.935**	**184**	**.000*****
Staff regularly contribute ideas for service improvement	**3.76**	**.744**	**3.23**	**.843**	**3.934**	**184**	**.000*****
Staff feel proud of council achievements and good practice	**4.08**	**.752**	**3.49**	**.843**	**4.332**	**184**	**.000*****
Managers and staff share ideas and good practice across the council	**3.78**	**.975**	**3.25**	**.909**	**3.457**	**184**	**.001****
Managers and staff are keen to learn new ways of doing things	**4.02**	**.742**	**3.40**	**.837**	**4.634**	**184**	**.000*****
It's easy to try out new ideas in my service	**4.08**	**.886**	**3.50**	**.937**	**3.798**	**182**	**.000*****
Leadership							
Elected members and managers talk positively about our aims and ambitions	**4.18**	**.800**	**3.57**	**.963**	**3.974**	**184**	**.000*****
Managers don't just talk about improvement, they do it	**3.90**	**.707**	**3.36**	**.823**	**4.410**	**100.828**	**.000*****
Elected members and managers are willing to take risks and learn from mistakes	**3.58**	**1.052**	**2.94**	**1.017**	**3.765**	**184**	**.000*****
Managers constructively challenge barriers to good practice	**3.50**	**.814**	**3.18**	**.815**	**2.400**	**184**	**.017***
Staff understand the part they play in council aims for change and improvement	**3.68**	**.819**	**3.37**	**.842**	**2.260**	**184**	**.025***
Change champions really make a difference to improving services	3.08	1.158	2.81	1.029	1.552	182	.122
Managers encourage sharing of ideas and information with other councils and agencies	**3.82**	**.691**	**3.23**	**.902**	**4.206**	**184**	**.000*****
Everyone in the council is involved in a programme of cultural change	**3.36**	**1.083**	**2.85**	**1.065**	**2.866**	**184**	**.005****
Structural flexibility							
Staff can easily work with colleagues across internal boundaries	**3.68**	**.741**	**3.26**	**.854**	**3.042**	**184**	**.003****
We are trying out new forms of service design that do not depend on retaining services in-house	3.34	.961	3.05	1.108	1.625	183	.106
Members and managers tend to make important decisions with partners	**3.64**	**.942**	**3.04**	**.910**	**3.922**	**184**	**.000*****
We get new ideas for service improvement from joint working with other agencies	3.36	.827	3.10	.965	1.718	184	.087
The council listens to its users, customers and stakeholders	**4.16**	**.792**	**3.59**	**.898**	**3.968**	**184**	**.000*****

Elected members, managers and staff are able to work collaboratively	**4.18**	**.748**	**3.56**	**.933**	**4.232**	**184**	**.000*** **
Knowledge and learning							
Managers and staff know how to identify gaps for learning and improvement	**3.56**	**.760**	**3.11**	**.804**	**3.430**	**184**	**.001** **
Elected members, managers and staff regularly take part in learning networks with other agencies	**3.30**	**.909**	**2.61**	**1.020**	**4.206**	**184**	**.000*** **
Managers and staff regularly seek out ideas for service improvement	**3.80**	**.833**	**3.33**	**.852**	**3.347**	**184**	**.001** **
We encourage bringing in new ideas from outside the organisation	**4.06**	**.793**	**3.46**	**.910**	**4.422**	**99.432**	**.000*** **
Managers and HR officers understand how to support complex learning needs	**3.20**	**.808**	**2.78**	**.948**	**2.785**	**184**	**.006** **
Managers and staff use performance data in everyday work	3.84	.866	3.62	.951	1.447	184	.150
Links with national agencies are a source of ideas and improvement	3.20	.926	2.90	.945	1.949	184	.053
Staff can easily access the information they need to do their job effectively	**3.86**	**.700**	**3.51**	**.750**	**2.832**	**184**	**.005** **
Enabling conditions							
Day to day, staff manage their own area of work effectively	4.10	.614	3.85	.617	2.432	183	.016
Staff are involved in making important decisions and plans	3.76	.657	3.56	.759	1.624	183	.106
We prefer to share information face to face	3.63	.859	3.46	.862	1.208	182	.229
Members and managers encourage diverse opinions	**3.48**	**.886**	**3.19**	**.865**	**2.044**	**183**	**.042***
Managers and staff learn through a wide variety of opportunities inside and outside the council	**3.74**	**.828**	**3.27**	**.823**	**3.412**	**183**	**.001** **
We can rely on team members for maintaining high standards of work	**4.06**	**.620**	**3.75**	**.643**	**2.957**	**183**	**.004** **
Managers know how to involve staff in making change	**3.60**	**.881**	**3.31**	**.787**	**2.147**	**183**	**.033***
Planning and evaluation							
We plan what we need to know	**3.48**	**.762**	**3.10**	**.863**	**2.769**	**183**	**.006** **
Staff and managers prepare before taking part in learning activities	3.28	.970	3.00	.832	1.940	182	.054
When we have a good idea we test it and evaluate its effect	**3.62**	**.901**	**3.15**	**.845**	**3.301**	**182**	**.001** **
The council's performance management system helps individuals to improve	3.50	.909	3.27	.934	1.472	183	.143
Managers know how to plan and implement change	**3.74**	**.803**	**3.25**	**.760**	**3.820**	**183**	**.000*** **
Managers and staff can easily integrate innovative ideas into mainstream services	**3.60**	**.756**	**2.96**	**.871**	**4.623**	**183**	**.000*** **
The council builds on past success	**4.04**	**.727**	**3.50**	**.818**	**4.302**	**97.862**	**.000*** **

We are good at delivering better services without needing more resources	**4.00**	**.756**	**3.44**	**.928**	**4.164**	**106.769**	**.000*** **
There are good opportunities to put learning into practice	**3.80**	**.728**	**3.23**	**.762**	**4.573**	**183**	**.000*** **
We evaluate and learn from new initiatives	**3.82**	**.800**	**3.21**	**.832**	**4.438**	**183**	**.000*** **

***Differences are significant p<.001 ** Differences are significant p<.01 * Differences are significant p<0.05

The significant t-test results indicate that there is a difference in the perceptions of organizational capacity in 2006 between the two groups, Beacon and non-Beacon councils, in approximately four-fifths of the mean scores.

In terms of the scores where there were no significant differences between Beacon and non-Beacon councils' actual capacity in 2006, a number of patterns can be observed. One group of mean scores which showed no significant difference was amongst relatively higher scores, and related to everyday working practices including: self-management, staff involvement in decision-making, sharing information face to face, and the use of performance data.

A second group of mean scores where there was no significant difference between Beacon and non-Beacon councils was amongst relatively lower scores, and they related to more varied and more complex factors, including acquiring ideas from external sources, change champions, preparation for learning, and new forms of service design.

Organizational capacity 2006: Beacon and non-Beacon councils' most significant differences

Previously in this chapter, I compared the highest ranked items of expected future capacity by Beacon councils and non-Beacon councils in the 2004 survey (Table 6.12). I followed up these results by comparing the ten highest ranked items of actual capacity in 2006 by both Beacon and non-Beacon authorities. These results are shown in Table 6.14. Rankings are marked in bold. There were four different items between the two groups. These items are italicised in the table below.

Table 6.14 Actual capacity 2006 Beacon and non-Beacon councils: Ten highest ranked items

Organizational capacity item	Beacon			Non-Beacon		
	Mean	**SD**	**Rank**	**Mean**	**SD**	**Rank**
The council listens to its users, customers and stakeholders	4.24	0.76	**1**	3.72	0.86	**5**
Elected members and managers talk positively about our aims and ambitions	4.22	0.75	**2**	3.73	0.90	**3**
On a day to day basis, staff manage their own area of work effectively	4.19	0.62	**3**	3.82	0.64	**1**
Staff feel proud of council achievements and good practice	4.14	0.76	**4**	3.65	0.87	**7**
Managers and staff use performance data in their everyday work	4.10	0.86	**5**	3.65	0.93	**8**
We can rely on team members for maintaining high standards of work	4.10	0.77	**6**	3.77	0.67	**2**
Elected members, managers and staff are able to work collaboratively	4.09	0.87	**7**	3.73	0.89	**4**
In this council, we are keen to be innovators, as well as making improvement	4.08	0.81	**8**	3.67	0.97	**6**
Staff can easily access the information they need to do their job effectively	4.06	0.79	**9**			
Elected members, managers and staff genuinely value learning	4.06	0.68	**10**			
The council builds on past success				3.62	0.85	**9**
We encourage bringing in new ideas from outside the council				3.61	0.87	**10**

The ten highest ranked items of perceptions of actual organizational capacity in 2006 by respondents from both Beacon and non-Beacon councils were quite similar. All authorities, whether Beacon or non-Beacon, considered that their greatest levels of capacity in 2006 included listening to users; effective day to day management; positive attitudes regarding council aims and ambitions; working collaboratively; teamwork; and keenness for innovation.

In all of their ten highest items, Beacon councils reported a greater extent of capacity than in all of the non-Beacon councils' ten highest items. In each list, there were only two items which differed (differences are italicized in the tables). The Beacon list included: access to information needed for the job; and valuing learning. In contrast, the non-Beacon list included: building on past success; and bringing in new ideas.

A subtle difference between the ten highest items was the extent to which different councils matched the extent of actual capacity in 2006 with the capacity they had predicted in 2004. Responses to the 2006 survey indicated that non-Beacon councils reported seven out of ten of the 2006 ten highest items that had been expected in the 2004 survey. Beacon councils, on the other hand, reported nine out of their ten highest items. Beacon councils appeared to achieve a better match between expectations of capacity in 2006 and the actual capacity in 2006 in the rankings of items. For example, Beacon councils' highest expectation of capacity in 2006 was in listening to users,

customers and stakeholders and this was reported to be their greatest actual capacity in 2006.

Non-Beacon councils reported the same item with the highest score in expectations of capacity as Beacon councils but in 2006 the results led to this being ranked as their fifth highest area of actual capacity. The highest reported capacity by non-Beacons in 2006 was in staff being able to manage their own area of work.

To summarize this section on organizational capacity and Beacon status, respondents from Beacon councils reported a substantially greater extent of organizational capacity in their organization than those from non-Beacon councils, in all three data sets and both surveys. The results showed significant differences between Beacon and non-Beacon councils in actual capacity 2004; expectations of capacity in 2006; and actual capacity in 2006. The differences between types of council were particularly marked in actual capacity in 2004 and 2006, where the differences were significant in 42 out of 46 items, and 36 out of 46 items respectively. In all three data bases, and in both national surveys of English local authorities in 2004 and 2006, non-Beacon councils did not report a greater extent of organizational capacity than Beacon councils in any item.

CONCLUSIONS

This chapter has addressed the remaining two out of five of the research questions and has presented the inferential statistics for the two surveys of organizational capacity in English local authorities.

The fourth research question is: *what is the extent of change over time in organizational capacity in English local authorities?* This study explores the potential and realised aspects of organizational capacity factors, and the difference between predictions of capacity and actual capacity over two years. It explores the distinction and overlaps between the concepts of organizational capacity and capacity building.

This question has been answered by the longitudinal analysis of the two surveys. In the 2004 survey, respondents reported that they expected an increase in their council's capacity in two years. In the 2006, survey, respondents reported an increased extent of capacity in each component, but this was found to be to a lesser extent than expected in 2004.

Expectations of 2006 capacity were significantly higher than actual capacity in 2004, in all 46 items, at the $p<.001$ level. In terms of actual change in capacity in 2006, compared with expectations of capacity, the results show some differences. The results show a statistically significant increase in the capacity of all councils in 2006, compared with capacity in 2004, in 32 out of

the 46 items, at the p<.001 level. There was no statistically significant decrease in capacity reported in any item over the two years.

The fifth research question is: *is the award of Beacon status associated with greater organizational capacity and greater capacity building?* The analysis compared the differences in response between those authorities that were Beacon councils and those that were not Beacon councils in 2004; and in 2006.

At the component dimensional level of organizational capacity, there were statistically significant differences between Beacon and non-Beacon councils. Differences were significant in all six components in the three datasets in 2004 and 2006, with the exception of one dimension of expectations of 2006 capacity. Differences were particularly marked in perceptions of actual capacity in 2004 and 2006, indicating that the award of Beacon status may be associated with greater organizational capacity; an increase in capacity; and a sustained level of greater organizational capacity over two years, compared with councils that had not been awarded Beacon status.

At the item level, respondents from Beacon councils reported a substantially greater extent of organizational capacity in their organization than those from non-Beacon councils. Differences at micro-level between Beacon and non-Beacon councils were significant in actual capacity in 2004; expectations of

2006 capacity; and actual capacity in 2006. The differences between types of council were particularly marked in actual capacity in 2004 and 2006, where the differences were significant in 42 out of 46 mean scores, and 36 out of 46 mean scores respectively. Non-Beacon councils did not report a greater extent of organizational capacity than Beacon councils in any item, in either of the two surveys.

The results of the analyses suggest that being a Beacon council is positively related to a greater extent of organizational capacity but this relationship cannot be explained as a causal link (Dewberry, 2004: 129).

Discussion of the findings obtained and an interpretation of their significance and meaning will be presented in Chapter Seven.

CHAPTER SEVEN: DISCUSSION

INTRODUCTION

This chapter opens with a brief overview of the significant findings of the study. Second, the chapter considers the robustness of the research design and methodology in order to assess their strengths and limitations that may affect the interpretation of the results. Third, it assesses the limitations of the study that may affect the validity and generalizability of the research results. Fourth, the chapter turns to discussion and interpretation of the meaning and value of the main results of this study into knowledge transfer and organizational capacity in English local authorities, in the contexts both of theoretical and empirical studies, as well as wider organization–specific contexts.

ORGANIZATIONAL CAPACITY IN LOCAL GOVERNMENT: PRINCIPAL RESULTS

There are eight principal findings of this study, as follows. First, the conceptual framework of organizational capacity has been validated; and second, it has been developed into a measurement instrument, that has a sufficient level of reliability and validity to have confidence in the research results. Third, the research results show that being a high-performing public organization (i.e. a Beacon council) is perceived to be positively related to a greater extent of organizational capacity, compared with low-performing

councils, but this relationship cannot be explained as a causal link. Fourth, the findings suggest that performance trajectories vary between lower-performing and better-performing authorities. Fifth, the longitudinal analysis of the two national surveys shows that there was a significant increase in organizational capacity all English local authorities, over a two-year period. Sixth, the research extends prior research into absorptive capacity, which has been relatively neglected in public organizations. Seventh, the study provides insights into the multi-level nature of organizational capacity. Eighth, capacity building has been found to be conceptually different from organizational capacity, and this present study places a preferred alternative emphasis on capacity strengthening and increasing.

EVALUATION OF THE RESEARCH DESIGN AND METHODOLOGY

I return here to evaluate the robustness of the research design and methods, to assess confidence in the method, data and research findings and possible impact of their strengths and weaknesses on interpretation of the research results. Amongst the challenges for the research design for this study, the concept of organizational capacity had been relatively under-theorised. The review of the literature in Chapter Two demonstrated the complex nature of organizational capacity and its conceptual distinction from capacity building. Organizational capacity combines an organization's knowledge-related processes, internal structures, culture, leadership, and potential to create productive outcomes. In contrast, capacity building is a multi-level concept

related to the achievement of social development goals, organizational competence and individual skills.

The research design sought to construct a strong theoretical framework, so as to address the previously limited conceptualization of organizational capacity and to propose a valid alternative. The temporal nature implied by the concept of capacity "building", and interest in changes in the extent of organizational capacity over time, suggested the need for a longitudinal, repeated measures design. The comparison between (self-reported) actual and expected capacity at a later date was intended to yield information about organizational change processes and to test predictions that the extent of capacity would increase or decrease over two years. The research design therefore combined the design of a conceptual model of organizational capacity; an empirical framework comprising six component content areas and 46 items of organizational capacity; and a longitudinal, self-completion survey amongst multiple respondents about their perceptions of capacity in English local authorities.

Aims of research design and methodology

The first aim of the research design and methodology was to construct a theoretical framework capable of being operationalized into a measurement tool, suitable for the UK public service context. The review of previous studies demonstrated their limitations in capturing the complex meanings of organizational capacity. Drawing from the criticisms and partial explanations

of organizational capacity and capacity building, the research design first intended to define the construct of organizational capacity. Following a structured approach (Rust and Golombok, 1999), I designed a conceptual model of organizational capacity, incorporating a theoretical blueprint and its underlying component areas and manifestations.

Second, the research design aimed to address the limitations of theories, definitions and models of organizational capacity that are directly relevant to public service organizations. The literature review revealed that public organizations tend to be under-represented in organizational research. Addressing the main criticisms of previous studies, I incorporated into the design of the conceptual model and the research methods contextual, institutional and political factors, which, I argue, are important for understanding and interpreting organizational knowledge, learning and capacity in English local authorities.

The third aim of the research was to explore and explain differences in capacity within and between public organizations, and in particular in English local authorities as a substantial part of the public sector with high spend and high employment. Prior to this research, there had been precious little empirical evidence that supports the suggestion of relationships between organizational capacity, organizational learning and organizational performance. Only one previous study by Newman et al (2000) had provided

a relevant conceptual model and empirical data about the operationalization of the constructs and measures of capacity, appropriate to a public organizational context.

Fourth, the research design and methodology sought to operationalize the concepts, so as to explain the relationship between organizational capacity and organizational capacity building, which the literature review noted were found to derive from different perspectives. The distinction between potential and realized absorptive capacity (Zahra and George, 2002) and the suggestion of sequencing, phases, and progress over time, developed by Tompkins (1995) and O'Connor et al (2007) were interesting propositions but were lacking in any empirical research into an explanation of changes in capacity over time. The temporal nature of "building" capacity, or alternatively, changes over time in the extent of organizational capacity (given that capacity might go down as well as up), suggested that a longitudinal, repeat measures design would provide a substantial contribution to knowledge in this field.

The fifth aim was to examine explanations of capacity that may be associated with first, better performing councils; and second with organizational sharing of knowledge and service improvement. Differentiation between high performing and lower performing councils was highlighted in those councils that had demonstrated service excellence and the capability to share their expert knowledge with others. The Beacon Scheme is an exemplar of

improving services through sharing knowledge (Hartley and Rashman, 2002; Rashman et al, 2005; Hartley, 2008) and this study compares differences between Beacon and non-Beacon councils. The Beacon Scheme focus also has the advantage that selection to be a Beacon is based on demonstrated high performance.

The methodology was based on a multiple focus approach including the review of literature and previous studies; design and development of a conceptual model of organizational capacity; design of an empirical framework of six component content areas and 46 items on organizational capacity; a longitudinal survey designed first to assess changes in organizational capacity over time; and second to determine whether capacity may be associated with better performing local authorities.

The design and process of empirical study were developed from analysis of prior organizational studies, and in particular from those few studies in a public organizational context. A quantitative method was selected in contrast to the majority of public management research which tends to be more case study focused (Hartley et al, 2008).

A major strength and unusual feature of this research study into comparisons of organizational capacity between Beacon and non-Beacon councils is that it provides evidence from the population level of all 388 English local

authorities. This is markedly different from other empirical studies of capacity in UK public services, which had used a sample of the population.

A second strength and unusual feature of this study is that it is both longitudinal and quantitative. It differs methodologically from previous longitudinal case study research into capacity in local authorities which had focused on changes in poorly performing authorities (Turner and Whiteman, 2005); and from previous research into local authority change capacity which had combined case studies and surveys, but lacked a longitudinal element (Newman et al, 2000).

Strengths and difficulties encountered with the research design and methods

The limited and ambiguous nature of prior theory, paucity of prior studies and few examples of measures of organizational capacity presented difficulties related to the development of the conceptual and empirical model. It meant that the research could not proceed using an established model and measures, but that these had to be developed as the early part of the research. The model depended first upon a detailed analysis and synthesis of relevant literature, which in itself does not comprise a single body of work; and second upon the researcher's knowledge of the institutional context of local authorities.

An interpretivist stance is particularly appropriate for the purposes of developing a relevant theoretical understanding of organizational phenomena in public organizations, based upon an understanding of organizations as socially constructed and institutionalised within specific socio-cultural and political contexts (Hatch, 2002: 46). Interpretivist approaches acknowledge the relevance of prior contextual knowledge that the researcher contributes to the research design (Radnor, 2001) and the explanatory power of that contextual knowledge to ground theory-building in the research setting (Strauss and Corbin, 1996).

Prior knowledge of the local government institutional setting was advantageous to first, design and administration of the survey method including wording of questionnaire items appropriate to respondents; and accurate targeting of internal distribution methods within councils. Second, it aided analysis and interpretation because I was able to incorporate professional insight and sensitivity into understanding of variation within the results. For example, I understood the significance and relatively unusual nature of collaborative and networked relationships involving elected members, who are often inward-looking and locally focused.

Turing next to the approach to design of the model and measures, in order to strengthen their validity, each of the six component dimensions and 46 items of organizational capacity was grounded in and carefully developed from the

literature review, and followed a structured approach to questionnaire design (Rust and Golombok, 1999). They were influenced by, but differed substantially from Newman et al's (2000: 134) Change Capacity Questionnaire. The strengths of this approach were that the design was conceptually grounded, carefully developed from a reliable method, and drew from previous empirical research in which confidence had been established (Newman et al, 2000: 118).

I strengthened the survey design by structuring the items according to the six capacity components; and I avoided double-headed questions (some examples of which were found in the Change Capacity Questionnaire).

Factor analysis was used to test the conceptual model of organizational capacity and demonstrated that the basic structure of the key concept, organizational capacity, and its six sub-components in the conceptual model, are fairly consistent with the original conceptualization and were predicted from the model. Some limitations to the items of organizational capacity were encountered, in four items that did not load onto components as coherently as the other 42 items. Two items each loaded onto two components but cross-loading is not unusual in factor analysis. The remaining two items did not form part of any cluster. The four items may benefit from refinement so that their wording describes the variables more accurately and consistently with the relevant component.

Repeated measures research designs are valuable in a number of respects, including comparing changes over time, examining organizational processes, the impact of particular interventions, assessing predicted and unexpected outcomes. However, they are also subject to some particular problems. One possible difficulty relates to order effects, where there may be a tendency that the respondents' involvement in the first phase may result in an effect on their performance in a later phase of the research (Robson, 2002: 130). For example, a first research phase that investigated "citizen engagement" may result in better engagement by respondents in the second phase, as a result of learning about citizen engagement from participation in the first phase.

In this research study, the design involved administering a repeat survey questionnaire to examine effects over time and respondents were not engaged in any form of experimental intervention, nor was there specifically a "before and after" design that was modified by the researcher (Robson, 2002: 155) (for example to encourage greater citizen engagement). The purpose of this longitudinal design was not to predict but to assess changes over time in organizational capacity. I set out to investigate a relationship between better-performing councils and organizational capacity, and whether this relationship would be sustained, increased or decreased over time. There was no intended research outcome about increase or decrease in capacity. However, it is not possible to rule out intervening changes in environmental conditions that may have affected the predicted relationships, such as the introduction by

central government of targets for making “efficiency” savings, which could have diverted councils’ priorities.

The survey is notable for using multiple respondents, which is still relatively unusual in public sector (or indeed much organizational) research though multiple respondents design is advocated by some researchers as avoiding reliance on one informant (Walker and Boyne, 2006).

The research is also distinctive for including elected members, who are sometimes absent both conceptually and empirically from research into public services organizational change and improvement (Walker and Boyne, 2006).

It is also satisfying that response rates by respondent group indicated a reasonably representative sample of the two sub-groups of managerial respondents. However, in line with much public sector research where elected members are included in surveys, the response rate tends to be lower. In each of the two surveys, the number of elected members that responded was quite low (n= 59 in 2004; n= 50 in 2006). Due to low base sizes, these data need to be treated with caution. It is possible that the large number of non-respondents to the two surveys may have had significantly different characteristics to respondents, but the response rates were representative across all types of council and three different sub-groups of respondents, with the exception of elected members

In longitudinal designs, sample attrition is always a potential concern (Robson, 2002: 161). There was a small degree of sample attrition, within each of the three datasets: out of 385 possible responses, non-response rates increased from n=59 to 91, in the two datasets in the 2004 survey; and out of 347 possible responses non-response rose from n=13 to 21, in the 2006 survey. However, the sample sizes in each case were sufficiently large to accommodate the small extent of loss of response. The diminishing response rate from beginning to end of the questionnaire may be due to the number of items in the capacity questionnaire but it is more likely that respondent fatigue may result from the capacity questionnaire forming part of a much larger organizational survey. In future, this problem is less likely to recur, as the capacity questionnaire can be administered as a separate instrument.

Further operational difficulties occurred due to the outsourcing to an independent market research company of many aspects of the survey administration, the data coding, and data entry. The researcher's overall management of the surveys focused on early identification of problems related to data handling and to maximising response rates, but it is possible that the three data sets include mis-codings, misinterpretations, and missing data. With hindsight I realise that I should have taken some questionnaires and checked their coding against the database provided, to check the level of miscoding but the original questionnaires are no longer available. On the

other hand, this commercial company is used regularly in academic research in a number of universities and so there is some confidence that quality standards are high. I spent considerable time disussing coding of data on the phone but did not physically check the questionnaires. One source of possible confusion that was identified and addressed was a different approach to coding the independent variables in the 2004 and 2006 surveys because in the 2004 survey, categorisation was by Beacon award status, whereas in 2006, categorisation included a further distinction between involvement in awards and in learning.

In conclusion of this section, amongst its strengths, first, the study has produced the conceptually grounded model of organizational capacity which synthesizes previous studies into organizational capacity, knowledge, and performance. A second strength is the structured approach to design of its component constructs and items, which encompass factors that derive from knowledge-related and capacity-related phenomena and from the features of the public institutional and organizational domain. Third, the six sub-scales and 46 items provide a means to operationalize and test systematically specific characteristics of organizational capacity; and the extent of change in organizational capacity, or capacity “building”, over two years. Fourth, the response rates from multiple respondents in the two national surveys were reasonably representative. Fifth, the conceptual model and the empirical survey data provide insight into organizational capacity in English local

authorities and differentiated between capacity in high performing and lower performing councils.

The research design and methodology have addressed the ambiguities and lacunae of previous studies. The development of the empirical framework into sub-scales and items presented some difficulties, and I have proposed refinement of specific items to develop an improved scale instrument to measure organizational capacity.

The reliability and validity of the data

A substantial aspect of this study has been concerned with the conceptual development of organizational capacity and the development of a scale instrument suitable for measurement of organizational capacity in a public organizational context. The 46 items of organizational capacity have been the only dependent variables used in this study and these are entirely new variables which I derived from previous theoretical and empirical studies. It is important to be confident that that the survey instrument and its constituent variables are robust, and their reliability and validity established.

Reliability

The alpha reliability scores which are useful for testing how reliably questionnaires in organizational research measure a particular dimension, were high using .80 as a good value and .70 as the minimum acceptable level

(Field, 2005: 671) for person-based questionnaires. The values of the alpha for six dimensions were shown in Table 4.1 and range between .771 and .897, indicating a good degree of reliability. Five of the six sub-scales had an alpha coefficient above .80, and none of the values was lower than .77. The results of the analysis confirmed that none of the items needed to be dropped from any of the scales. This means that the researcher can be reasonably confident that any changes to the levels of organizational capacity over time are due to changes in the reported levels of capacity by respondents rather than due to unreliability of the instrument.

Validity

First, the validity of the six constructs and 46 variables derives from their conceptual grounding in the theoretical framework, comprising inter-related theories and previous empirical research.

Second, the high response rates to both surveys suggest that the measures were found plausible and therefore had face validity.

Third, content validity, or appropriateness of items to expert opinion, of the 46 items in the organizational capacity survey was confirmed by the systematic approach to construction of the blueprint, item analysis and pilot testing of the questionnaire items.

Threats to internal validity were mediated in part by the researcher's familiarity with the institutional context of many of the organizational processes which assisted the writing of individual items appropriate to the respondent groups in local authorities.

Fourth, construct validity, the extent to which a survey instrument is meaningful, usually occurs only after years of use of the instrument (Litwin, 1995). Factor analysis is one way to address construct validity, as it can be used to examine whether items in a survey questionnaire measure the intended set of dimensions. Factor analysis as a measure of inter-correlated items in questionnaire development was combined with Cronbach's alpha as a measure of reliability (Dewberry, 2004).

Factor analysis demonstrated that the reliability of the six dimensions is good. 39 out of the 46 items (84%) loaded at a "fair" level of .45. Of the remaining seven items, six loaded at the .40 level and all 46 items loaded above .298, which is an appropriate factor loading for the sample size of 360.

The results of factor rotation loadings suggest that the wording of the one item that loaded at the lowest level of correlation: *It's easy to try out new ideas in my service* would benefit from review, as it may lack specificity of meaning of "easy", "try out" and "ideas". The item is in the internal alignment sub-scale

which could be strengthened by a review of the sub-scale as a whole to consider whether the term “ideas” used in three items may be ambiguous.

Eight separate components were identified, compared with six sub–scales in the conceptual model. Factor loadings on two sub-scales: planning and evaluation; and leadership were particularly strong. Fairly strong correlations were found for five of the six sub-scales, but at least partial correlation was found for all six sub-scales. This is helpful as this suggests that these are all components of a larger construct and are therefore correlated (though distinct as factors) with each other. This reinforces the idea that capacity is a complex construct with sub-components but that the sub-components are linked to each other both conceptually and empirically.

Two items cross-loaded onto two factors, and a further two items loaded onto a different factor from the predicted sub-scale. This result indicates that there are some ambiguities in the design of these four items but that the sub-scales were identifiable and reasonably distinct from each other. It is suggested that further refinement in the precise wording of these four items would be beneficial to improve their factor loadings and the sub-scale design, but it is not unusual to have cross-loading in factor analysis.

Having identified a number of strengths and limitations, the factor analysis has identified that the basic structure of the key concept, organizational capacity,

and its six sub-components in the conceptual model, are reasonably consistent and predictable. The weaknesses in the design of a small number of items and the sub-scales are acknowledged and these particular items could be further refined to create a more valid instrument for further research. Overall, the survey instrument and the 46 variables have a sufficient level of predictability, validity and reliability for their intended purpose. This provides the opportunity to examine the results in terms of the respondents' perceptions and views, uncontaminated by problems with the instrument.

Representativeness of samples

Before turning to the main research results, I comment briefly on representativeness of the samples. First, response rates across the two national surveys were consistently representative of the different types of council (metropolitan; unitary; London borough; district; county): a response rate by authority of 49%, n=191 of the 388 authorities in the 2004 survey; and 45%, n=174 in the 2006 survey.

Second, in terms of the respondents, in the 2004 survey, 31% of respondents and in the 2006 survey, 41% of respondents respectively worked for councils that had a Beacon award: these proportions are representative for the respective year of the Beacon award, across all local authorities. This means that I can be reasonably confident that the samples were of sufficient and similar sizes; and representative of all types of local authority and of the two

independent variables (Beacon and non-Beacon councils) to meet the requirements for statistical tests of significance. Large samples are necessary and helpful for analysis of small effects. I can infer that significant differences found in the t-tests were caused by the independent variable, rather than differences in the samples.

Third, response rates by respondent group were representative of two sub-groups of respondents: strategic managerial; and service managerial. The number of elected members that responded was quite low (n= 59 in 2004; n= 50 in 2006) but this is in line with other public sector research. Due to low base sizes, these data need to be treated with caution, and the analysis has not examined differences by respondent sub-groups. By contrast, the analysis has focused on the differences between Beacon and non-Beacon authorities.

The high response rate, the responses from multiple respondents and the representativeness of the sample compared with the population means that the findings can be interpreted as relevant to the whole population of English local authorities without concern for bias within the sample.

Summary

To summarize, this section has explored the strengths and weaknesses of the research design and methods, and considered the reliability and validity of the data and representativeness of samples. I can have reasonable confidence in

the robustness of the methodology and the reliability and validity of the research instrument, and have found no substantial sources of bias. I can proceed to interpret the research results in the knowledge of their limitations and confident in their relative strengths. Next, the study turns to limitations that may affect generalisability of the results.

LIMITATIONS OF THE STUDY

It is important to acknowledge the limitations of the study that may affect the validity of the findings and their generalisability.

One potential bias in this study is that it is focused on one type of public organization, local government, in one country, England. Local government was deliberately selected as an exemplar of public organizations, which tend to be under-represented in organizational research. Local government is particularly suitable for empirical testing of the model of organizational capacity because central government policy has introduced national programmes of capacity building, targeted at local authorities.

There are limitations in the extent to which the research results can be generalised to other organizational and institutional settings. The literature on organizational knowledge and learning identifies knowledge as being organizationally embedded and therefore the study is context-specific. This study aims to challenge the assumption of previous research that all

organizations are “firms”. It may be argued that local government has particular features that distinguish it from other public organizations. Similarly, it may be argued that public organizations differ from private organizations. The study’s findings are contextualised within English local authorities and may not explain differences between better-performing and poorer-performing organizations of different classifications.

The design of the research was intended to be context-specific. The design of items in the survey questionnaire was intended to explore specific institutional and organizational characteristics of local authorities, including the particular leadership role of elected members. Testing of the conceptual framework in a different context could increase the validity of the research results.

Adaptation of the items for different organizational settings, so as to test the research questions in a variety of organizational contexts would increase empirical verification of the conceptual model and the research results. Adaptation to organizational context would be feasible for other public organizations, and for private organizations, for example by substitution of “company” for “council” in items that relate to the particular organization.

A second limitation of the study is that there may be other factors than those which I examined that contributed to the differences between better-performing and poorer-performing councils; and changes in organizational

capacity between 2004 and 2006. The considerable volume of policy measures for reform of public services during this period may have had an interactive effect with changes in local authority capacity.

It is possible that the timing of the study which coincided with the introduction of national programmes of capacity building raised awareness of capacity issues. Other programmes of reform such as external inspection and assessment may have influenced changes in local authority capacity.

The next section turns to discussion of the research data.

ORGANIZATIONAL CAPACITY: DISCUSSION OF THE MAIN RESEARCH RESULTS

Having examined the strengths and weaknesses of the methodology and finding no substantial sources of bias, the chapter now turns to the empirical findings. The research methods used in this study provide empirical findings which compare organizational capacity in local authorities: in their actual capacity in 2004; expectations of capacity in 2006; and actual capacity two years later in 2006.

Overall, the responses of managerial and political respondents of local authority organizational capacity reveal patterns of features at two levels: the dimensional level, and the item level. The patterns of scores can be used to

describe and interpret local authority capacity in three ways: first, across all English local authorities; second over the two years, to examine the changes in the extent of all councils' capacity between 2004 and 2006; and third, to examine differences between Beacon and non-Beacon councils.

In this section, I precede discussion of the main research results by considering briefly the contexts of theoretical and empirical studies, as well as wider organization–specific contexts. This is important from an interpretivist perspective because it is focused on how meaning is constructed in particular situations and *"the role context plays in shaping how situations and events are interpreted by those who experience them"* (Hatch, 2006: 43).

THE INSTITUTIONAL CONTEXT OF THE RESEARCH RESULTS

Given that definitions of organizational capacity have been developed primarily in the context of competitive, commercial environments (Lane et al, 2006), there is an urgent need for conceptualizations and research which take into account the particular historical, political, and institutional influences and characteristics of the public service sector (Hartley et al, 2008).

Previous studies of organizational learning and knowledge, (Child and Faulkner, 1998), and absorptive capacity (Cohen and Levinthal, 1990), have focused on private, commercial organizations, and have comparatively neglected public organizations (Bate and Robert, 2002). Consequently there

is a lack of agreement about measures of capacity, and suitability of measures for a range of organizational contexts (Van den Bosch et al, 2005).

Tensions in the institutional context of public organizations are likely to impact on organizational capacity and knowledge-sharing. Regulative elements including inspection of conformity to rules (Scott, 2008: 52) and government policy result in a mutual dependency between central and local government. Organizational norms and culture can determine the preferred responses to reform and change (Christensen et al, 2007) and the *"rules specifying how the game is to be played"* (Scott, 2008: 55). The reform agenda has comprised conflicting models of change, which simultaneously emphasise compliance and local autonomy (Newman, 2001), resulting in ambiguity.

Regulative, normative and cultural-cognitive elements may have an impact on the research results in at least two ways. First, Beacon councils may have internalized prevailing ideologies and may exhibit more compliant responses to reform than non-Beacon councils. Their better performance may stem from greater concern with external assessment and inspection of performance, and the Beacon award may be seen as a symbolic representation of *"playing the game."*

Second, Beacon councils may have developed internal norms and cultures that place emphasis on adaptation, learning and innovation, which can be

more accommodating to reform and at the same time *"push the boundaries"* of external constraints (Newman et al, 2001) to become innovative.

Such institution-specific factors may impact on interpretation and have a limiting effect on the generalisability of the results to private organizations but would have direct relevance to other public organizations.

Policy drivers for public service reform have created an environment of urgency to deliver measurable change, improvement and innovation (Newman et al, 2000). Assessment and inspection of performance have produced the categorization of high and low performers. The causes of poor performance vary (Turner and Whiteman, 2005), and there are wider variations in the rate and extent of change in local government (Martin, 2005). Research has tended to focus on performance improvement, with less emphasis on the conditions that create and maintain excellent performance (Martin, 2005).

The conceptual model of organizational capacity was developed to address the limitations of previous studies; explain associations between organizational knowledge, organizational capacity and organizational performance; and to explain how changes in capacity may be related to enhanced performance in the particular context of local authority

organizations. Having briefly described some of the contextual features, the discussion turns to interpretation of the study's results.

ORGANIZATIONAL CAPACITY IN ALL ENGLISH LOCAL AUTHORITIES

One of the aims of the research was to measure and explain the characteristics of organizational capacity in local authorities. How do local authority managers and elected members in English local authorities perceive the capacity of their organizations to learn and to make improvement? Together, the six component dimensions and the 46 items at the variable level comprise operational measures of the conceptual framework, which are intended to assess the definition of organizational capacity. The research method and survey design provide a view of the way in which respondents in strategic political, strategic managerial, and operational roles perceive the capacity of their local authority organizations.

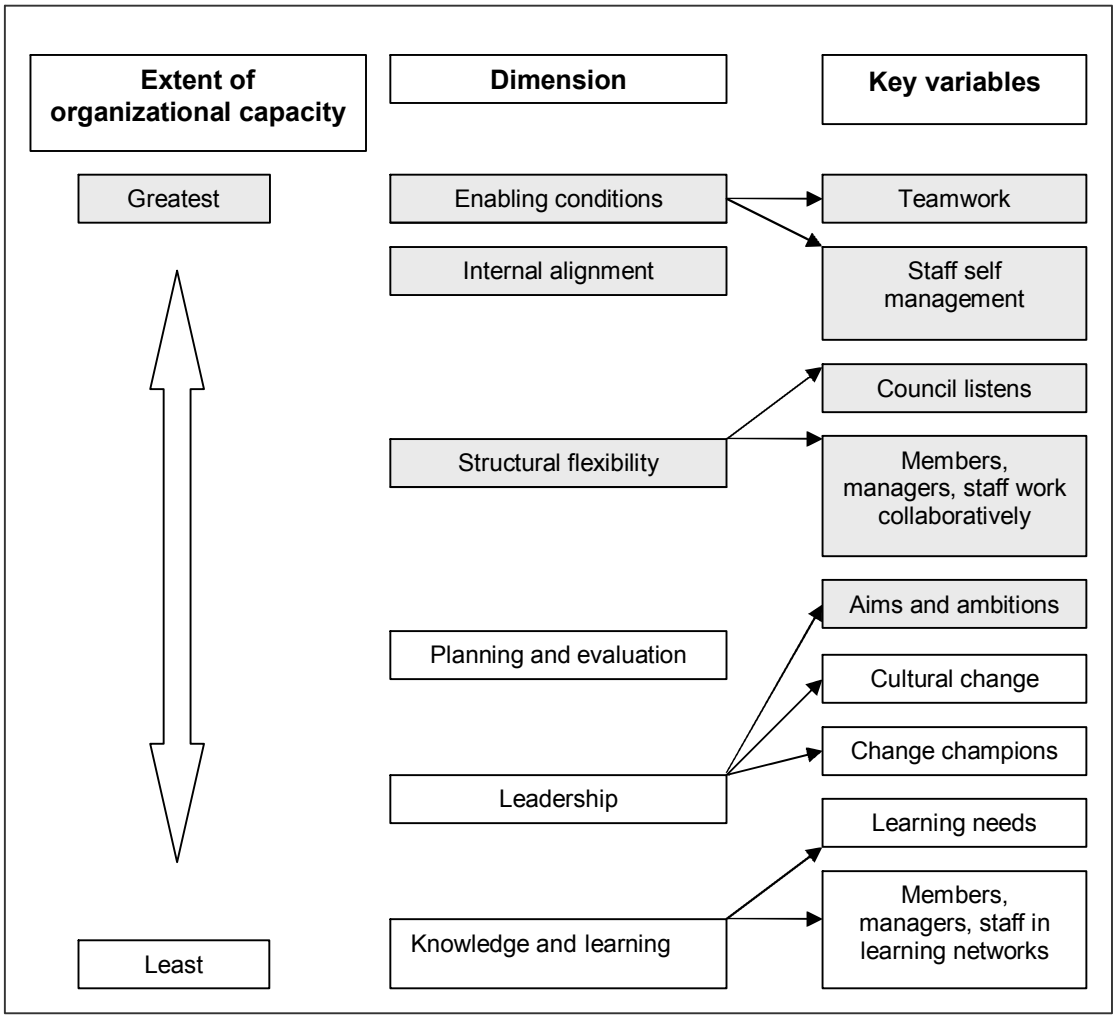
An overview of organizational capacity in all local authorities

In this section I move towards capturing the key features of organizational capacity in a diagram (7.1). Examining the survey data, we are able to construct an overview of the organizational capacity of English local authorities, which describes the emphases reported by the survey respondents. In each of the three data sets and the two surveys, the local authority respondents provide data about the extent to which they judge organizational capacity to be present in each of the six components and 46 items.

There is a consistent pattern across all local authorities, which is very similar in both the 2004 and 2006 surveys. The pattern of scores shows considerable consistency in greatest and least capacity in the six dimensions. The dimensions and variables of greatest and least organizational capacity in all councils are shown in Figure 7.1. The three dimensions and five variables of greatest organizational capacity are shown at the top of the figure; and the three dimensions and four variables of least capacity are shown at the bottom of the figure. The dimensions are shown in the centre of the figure; and the items relating to each of the dimensions are to their right. The figure summarizes the greatest and least extent of capacity across all councils and the two surveys.

The following discussion considers the implications of these results, dimension by dimension. First, the discussion focuses on the three dimensions with the greatest extent of capacity; and second it turns to the three dimensions with the least extent of capacity.

Figure 7.1 Greatest and least extent of organizational capacity, all councils



Greatest extent of organizational capacity in all local authorities

First, the discussion focuses on dimensions with the greatest extent of organizational capacity. The three dimensions with the greatest organizational capacity overall, as reported by respondents, (i.e. in both Beacon and non-Beacon councils and across both surveys) are enabling conditions; internal alignment; and structural flexibility. The greatest extent of capacity at variable level was found in teamwork; self management (enabling conditions); the council listens to customers, users and stakeholders; elected members,

managers and staff work collaboratively (structural flexibility); elected members and managers talk positively about aims and ambitions (leadership). The main findings in each of the dimensions and related items will be discussed in turn.

Enabling conditions

Local authorities' relatively high levels of capacity in self-management and teamwork show that council staff and managers report that they are able to work both autonomously and collaboratively. These are amongst the enabling conditions of internal capacity that contribute to high standards of individual performance (Grindle and Hilderbrand, 1995), which this research extends to organizational performance. Autonomy is associated with knowledge creation and innovation (Nonaka, 1994; Nonaka and Takeuchi, 1995), where the organizational conditions encourage participation and knowledge sharing. Effective teamwork appears to be important for the interactive social processes at the core of knowledge sharing and knowledge creation.

Structural flexibility

Collaboration between elected members, managers and staff indicates high levels of capacity to work flexibly across internal hierarchical, structural and role boundaries. Effective political-managerial relationships are amongst context-specific features of organizational capacity, which are particularly important for knowledge co-creation, and generating a climate within which

learning and innovation may flourish (Rashman et al, 2005). This is one of the dimensions where the content differs from that of the private sector, given that political-managerial relationships are important.

Tomkpins (1995) argues that a collaborative climate is required for collective learning and increased capacity but that author had not tested the relationship empirically. This present study develops prior literature by providing evidence on the importance for capacity of collective, collaborative relationships, and political-managerial relationships of public organizations in particular. The high scores on structural flexibility indicate that collaborative relationships were perceived not only between members of teams but also between those in different roles: elected members, managers and staff.

Internal collaboration assists the creation of permeable boundaries between departments, which in local authorities often have distinctive cultures. Departmental boundaries, negatively characterised within the policy narrative as “silos”, have been viewed as barriers to innovation. Structures are closely associated with departmental cultures (Newman et al, 2000).

A second aspect of the high relative scores on structural flexibility is focused on local councils’ ability to listen to users, customers and stakeholders. This aspect of organizational capacity is associated with creating and maintaining external relationships, spanning organizational boundaries to engage with

different groups in the local community and with formal agencies. A high level of organizational capacity in this variable indicates an external orientation and responsive relationships with the local environment (Newman et al, 2000). Customer and stakeholder engagement are amongst recent priorities within the reform agenda for local public organizations (CLG, 2006a; Cabinet Office, 2006), and are amongst mechanisms of their particular institutional environment.

The pattern of results suggests a shift in local authority cultures and structures towards greater flexibility and collaboration, compared with earlier research by Newman et al (2000) who found local authorities attempting to free up structures from past systems of vertical management and blame cultures.

Local authorities say they have a particularly high degree of structural flexibility to acquire knowledge, and thus potential capacity, through user and stakeholder engagement and through the interactions of elected members with constituents. The findings here challenge explanations of knowledge exploration in terms of commercial and competitive contexts. In contrast to private “firms” (sic) which concentrate their efforts to diversify knowledge structures and increase knowledge exploration during periods of environmental turbulence (Van den Bosch et al, 2005), the engagement by local authorities with a diverse range of external structures, stakeholders and groups is a function of their primary purpose (Newman et al, 2000). In public

organizations, user-led services and co-production of public value are amongst statutory duties to engage with communities and partners (CLG, 2006a), whether the external environment is stable or turbulent.

Leadership

The leadership dimension is represented in items with both the greatest and least extent of capacity. The variable of the leadership dimension that has the greatest extent of capacity is: *Elected members and managers talk positively about the council's aims and ambitions*. In this aspect, leadership capacity focuses on visible leadership and organizational direction setting, a result which is consistent with the symbolism of organizational leaders who visibly act to foster learning and innovation (Osborne and Flynn, 1997). Clarity of intention helps to direct strategic and operational actions. Unlike private organizations, local authority goal-setting involves strategic political actors working together with strategic managerial actors. In the local authority context, alignment across these two roles is a pre-requisite for leadership capacity.

Least extent of organizational capacity across all local authorities

The discussion turns now to the three dimensions with the least organizational capacity overall across all local authorities in order to compare factors with least and greatest capacity. Least capacity was found in: leadership; planning and evaluation; and knowledge and learning. At the variable level, the least

extent of capacity was found in cultural change; change champions (leadership); supporting complex learning needs; participation in learning networks with other agencies (knowledge and learning).

Leadership

In spite of the high scores on the single variable related to aims and ambitions, the other variables suggest that weak aspects of leadership capacity in local authorities are related to driving and implementing change. The two variables where overall, leadership capacity is least, indicate that change champions are perceived to have limited impact on improving services, and that local councils lack comprehensive programmes of cultural change in which everyone is perceived to be involved.

Local authorities as a whole appear to have greater capacity for producing and promoting their aims for change and strategic direction, than in putting in place, and leading, effective mechanisms to create and sustain complex change (Thomas, 2007). These findings might be explained by inconsistent understanding of the concept of change champions in local government but Newman et al's (2000) research found change champions who encouraged ownership of change. An alternative explanation is that leadership of improvement, change and innovation in public service organizations is constrained by inherent complexities and tensions (Hartley et al, 2008;

Thomas, 2007) between different policy priorities and their underlying theories of change.

Knowledge and learning

All councils reported the least levels of organizational capacity consistently across all items and overall, on the dimension of knowledge and learning. This lesser aspect of capacity related to both internal and external features of knowledge.

First, low levels of capacity were reported in: *Managers and HR officers understand how to support complex learning needs.* This is an important capacity factor for equipping the authority with the individual and collective skills and knowledge that will be required for future change, and in particular for implementing public service reform (Finger and Brand, 1999: Martin, 1999). However it is acknowledged that this item is amongst the most challenging, complex and sophisticated knowledge factors. It assumes prior analysis of knowledge requirements and understanding of learning strategies and processes. This finding is consistent with the extensive effort required to support learning which is complex and difficult, and depends upon the accumulation of tacit knowledge (Cohen and Levinthal, 1990; Kim, 1998). In contrast to manufacturing industries, local authorities cannot intensify support to learning by redirecting investment into R&D functions, which may limit their capacity to progressively develop their learning orientation for strategic and

service transformation (Kim, 1998). Indeed, R&D centres rarely exist in local councils, so it may be more helpful to explain the relationship between absorptive capacity and organizational learning in terms of the learning orientation, learning phases and platforms (Kim, 1998) of the organization.

Second, local authorities reported low levels of capacity of inter-agency networking by those in local authority strategic political, managerial and employee roles. Weakness in learning from external knowledge networks indicates an inward organizational orientation associated with low levels of innovation, learning and performance (Child and Faulkner, 1998) and may limit the acquisition and adaptation of knowledge to improve local services (Rashman et al, 2005). Knowledge-sharing networks are important for improvement and innovation at the population level, as well as individual public service organizations (Hartley and Benington, 2006).

Knowledge acquisition and assimilation are characteristics of the component of *potential* absorptive capacity (Zahra and George, 2002; Van den Bosch et al, 2005). The finding of a lesser extent of knowledge and learning capacity, in particular from external sources, suggests low levels of absorptive capacity (Cohen and Levinthal, 1990). It confirms previous literature on absorptive capacity which suggested this feature but which lacked empirical research (Van den Bosch et al, 2005; Lane et al, 2006), and had been developed

primarily in commercial contexts (Van den Bosch et al, 2005), but was relatively under-developed in public organizational contexts.

Summary

In summary of this section, the scores from all types of council, and in both surveys, show that English local authorities perceive the greatest extent of internal capacity in conditions of everyday management practice, and collaborative working relationships, which contribute to collective learning. Local authorities say they have a particularly high degree of structural flexibility to acquire knowledge, and thus potential capacity, through user and stakeholder engagement. In contrast, they appear to develop less capacity through participation in external, inter-organizational learning networks. Leadership capacity is reportedly greater in promoting aims for change and strategic direction, than in mechanisms of cultural change. The weakest aspects of capacity of all councils relate to knowledge and learning. Understanding how to support complex learning needs may be particularly difficult for public organizations, which, in comparison with private companies, may not be able to redirect substantial resources to increase their absorptive capacity.

These results confirm weaknesses in the theoretical underpinnings of public policy reform and may be generalisable to different public organizations. They suggest a particular focus for the future use of capacity building funding onto

approaches to leadership of organizational learning, analytical skills, and mechanisms of cultural change.

Having examined an overview of capacity in all local authorities, the discussion turns next to the organizational capacity of local authorities assessed as high performing through the Beacon Scheme.

Organizational capacity in Beacon and non-Beacon councils

What are the differences in capacity between councils that have been assessed as high performing and awarded Beacon status; and those that have not? In this section, the discussion turns to explanations of capacity that may be associated with better performing councils; and with organizational sharing and exploitation of knowledge. This section highlights the differences between the results of all councils together (described in the previous section), and the results disaggregated to compare Beacon and non-Beacon councils. I discuss next comparison of the research results between Beacon and non-Beacon councils.

As described in Chapter 3, the Beacon Scheme has two elements: a competitive award to reward high performance; and sharing of excellent practice across local government. The Beacon selection process is rigorous in its procedure and criteria, and the scheme is widely regarded as the “gold standard” of awards (Hartley, 2008). Previous empirical analysis has shown

that authorities gaining the award are amongst the best performing (Downe et al, 2002). There is a high level of participation in the scheme by the majority of local authorities (Rashman and Hartley, 2004).

A number of authors have made an explicit connection between organizational learning and organizational performance (Edmonson, 2002; Teece et al, 1997; López et al, 2005). Sanderson (2001: 297) proposes that local authorities *"need to…ensure that the capacity for evaluation and learning is embedded as an attribute of 'culture'"* to implement reform and achieve improved performance. There are very few studies that have examined the link between local authority capacity and performance (Newman et al, 2000; Turner and Whiteman, 2005) or that have determined whether an organization's learning processes produced the desired results (Preskill and Torres, 1999). There are risks that reform increases expectations of change instead of changing performance, and that the focus of change is on the plans and intentions of the public organization, rather than its activities and behaviours (Christensen et al, 2007).

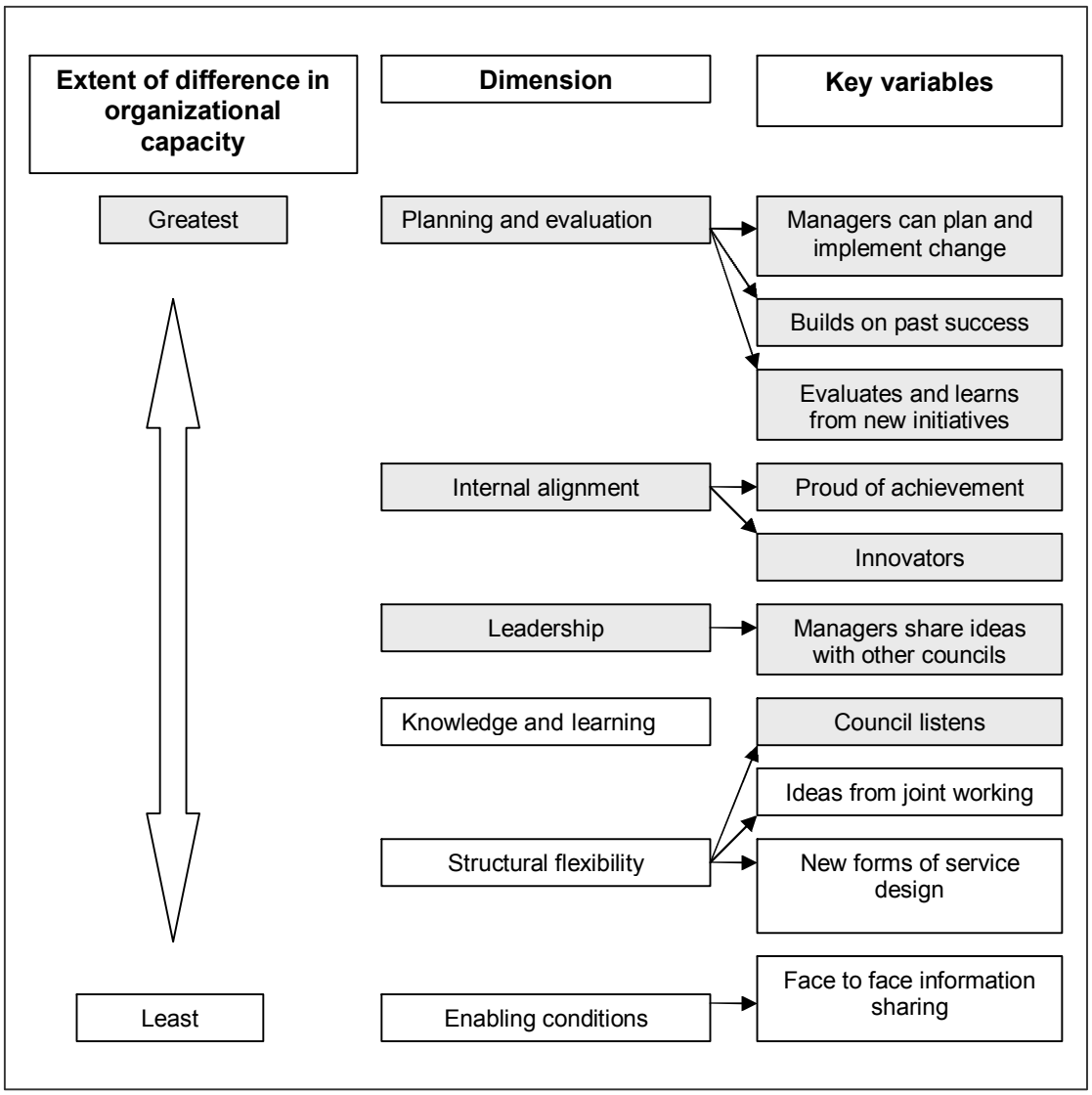
Overview of organizational capacity in Beacon and non-Beacon councils

The research shows that the award of Beacon status is associated with greater organizational capacity; an increase in capacity; and a sustained level of greater organizational capacity over two years, but this relationsip cannot be explained as a causal link. Taking an overview at the dimensional level,

there are substantial differences in organizational capacity between Beacon councils compared with non-Beacon councils (Figure 7.2). Differences between Beacon and non-Beacon councils were statistically significant in all six components in the three datasets in 2004 and 2006, with the exception of one component of expected capacity in 2004: *structural flexibility.* These results confirm that there is a consistent pattern of differences between Beacon and non-Beacon councils, which is very similar in both the 2004 and 2006 surveys. This suggests a substantial pattern not a statistical/sampling error (given the analysis of the methodology earlier).

Figure 7.2 summarizes the greatest and least differences in dimensions and items of capacity between the two independent variables: the two types of council. The three dimensions and seven variables of greatest difference in organizational capacity between Beacon and non-Beacon councils are shown at the top of the figure. The three dimensions and three variables of least differences between Beacon and non-Beacon councils' capacity are shown at the bottom of the figure. The dimensions are shown in the centre of the figure; and the items relating to each of the dimensions are to their right. The figure summarizes the greatest and least differences of organizational capacity between the two types of council; and in the two surveys. The following section discusses the detailed analysis comparing Beacon and non-Beacon councils at the dimensional and variable level.

Figure 7.2 Greatest and least differences in organizational capacity, Beacon and non-Beacon councils



Greatest and least differences in extent of organizational capacity in Beacon and non-Beacon councils

The first part of the discussion examines differences in actual capacity between Beacon and non-Beacon councils to investigate whether the Beacon award is related to the extent of organizational capacity. The independent samples t-test showed that the mean scores of actual capacity in 2004

reported by Beacon councils were significantly higher than non-Beacon councils in 42 out of 46 items. This is a large number of items on which to find statistically significant differences and this is therefore the first important finding.

The results suggest that being a Beacon council is positively related to a greater extent of organizational capacity but this relationship cannot be explained as a causal link (Dewberry, 2004: 129). Possible explanations of this relationship can be associated with the two main aims of the Beacon scheme. First better performance may be a function of greater organizational capacity. Second, greater knowledge-sharing and organizational learning may be related to greater organizational capacity. Third, organizational capacity may be related to both greater organizational learning and performance. The most plausible explanation is that organizational learning contributes to increases in organizational capacity and results in better performance. Caution is required in generalising these results beyond these two types of local authorities and these types of organization.

Greatest differences in capacity between Beacon and non-Beacon councils

Turning first to those dimensions and items where the differences in capacity were most marked between Beacon and non-Beacon councils, the greatest differences were in the three components: planning and evaluation; internal alignment; and leadership. The item with the greatest significant difference

between Beacon and non-Beacon councils is related to their capacity for innovation.

Planning and Evaluation

The results show that Beacon councils report significantly greater capacity across the whole planning cycle of organizational change and innovation, from planning and implementation of change, to evaluation and learning from new initiatives. Importantly, Beacon councils report greater capacity for implementation of plans than non-Beacons, suggesting greater coherence in their internal systems and processes. They say they have greater capacity to build on past success and thus to make more effective change in practice than non-Beacons. Accumulation, transformation and exploitation of prior knowledge are indicative of increased absorptive capacity (Cohen and Levinthal, 1990; Zahra and George, 2002). The planning capacity of Beacon councils is valuable for both incremental organizational improvement and for more radical change.

Capacity for evaluation, reflection, analysis and learning are particularly critical attributes for local authorities' programmes of modernization, change and improvement. Evaluative capacity appears to be relatively scarce amongst local authority cultures, described by Sanderson (2001: 308) as "antithetical to evaluation", and therefore its greater perceived extent in Beacon councils may be amongst critical factors that distinguish high

performing councils. Evaluative capacity and analysis of existing norms and practices are amongst aspects of organizational learning that may be overlooked or misunderstood by some poorer performing local authorities, but evaluation is a pre-requisite for change implementation processes (Turner and Whiteman, 2005), self-assessment and resolution of performance problems.

Internal Alignment

The greatest significant difference overall was found in the item related to innovation, in the dimension, internal alignment. In the 2004 survey Beacon councils reported greater actual capacity (mean 3.83) than non-Beacon councils (mean: 3.24) in the capacity item: *In this council, we are keen to be innovators, as well as making improvement.* In the 2006 survey, the difference in actual capacity between Beacon councils (mean: 4.34) and non-Beacon councils (3.40) was again the largest significant difference and is quite substantial. The scores also show that Beacon councils increased their innovative capacity in this item to a greater extent than non-Beacon councils over two years.

Beacon councils' aims and knowledge-related activities reportedly are more likely to include innovatory purposes; whereas non-Beacon councils are less likely to seek innovation and more likely to focus on improvement. This is also substantiated through other research outside this PhD thesis, which

undertook case studies of innovation and improvement (Hartley et al, 2007; Withers et al, 2007). These are important distinctions, as public organizations which make improvement but not innovation are more likely to focus on incremental change (Hartley, 2006).

Beacon councils' learning orientation appears more advanced towards innovation compared with non-Beacons. The findings here support Kim's (1998) phased model of organizational learning associated with the acquisition and application of knowledge, which advance from improvement to innovation, dependent upon the intensification of learning and evolution of a knowledge "platform". This study provides evidence of phased learning in public organizations, extending Kim's (1998) research based in the motor industry.

From contemporary research as part of the wider research programme, it is known that higher staff morale and positive attitudes (as seen by the staff themselves) are more likely to exist in Beacon councils, indicating a more positive orientation towards future performance than non-Beacon councils, and a greater propensity for innovation (Hartley, 2008). Beacon councils reported greater capacity than non-Beacon councils in building on past success; and pride in council achievements and good practice. Past success can increase organizational self-confidence, leading to greater risk-taking, a "can-do" culture, and increased emphasis on innovation (Hartley, 2008; Kim,

1998; Newman et al, 2000). An established culture that values and actively pursues a strategy of learning and sharing of new ideas is a significant factor in innovation.

Leadership

Differences between leadership capacity for change and learning in Beacon and non-Beacon councils were marked, and increased between the 2004 and the 2006 survey. Leadership capacity was significantly greater in promoting aims and ambitions; actively demonstrating improvement (*Managers don't just talk about improvement, they do it);* willingness to take risks and learn from mistakes; and in engaging participation by staff in implementing council aims and programmes of change. This finding is borne out by the staff survey, where staff from Beacon authorities saw managers as more interested in innovation and improvement (Hartley, 2008).

Beacon councils reported a substantially greater extent of organizational capacity than non-Beacon councils in external relationships in terms of their engagement with users, customers and stakeholders; and sharing ideas with other councils and agencies. These results extend the empirical evidence in relation to the role of leadership in organizational learning (Newman et al, 2000; Rashman and Hartley, 2002; Kim, 1998; Finger and Brand, 1998), and in organizational capacity for change, innovation and improvement, by

explaining some dynamic inter-organizational processes that are responsive to leadership influence.

Leadership capacity of Beacon councils, compared with non-Beacons, is perceived to be more extensive in both external and internal contexts, and exhibits characteristics of authority (promoting aims and risk-taking) and influence (engaging participation in change). The findings on leadership capacity confirm research by Newman et al (2000) that proactive, externally oriented leadership is correlated with cultural change and the innovative capacity of a local authority; and also with the work of Kim (1998) who had found that entrepreneurial senior managers mandated change, risk-taking and intensification of learning effort in order to create a culture open to learning and change.

These findings contribute to explanations of the association between leadership, organizational learning and capacity, in which management of change is identified as a characteristic of better performing public organizations (Jas and Skelcher, 2005; Turner and Whiteman, 2006).

Knowledge and learning

Differences between Beacon and non-Beacon councils' capacity for knowledge and learning are of particular importance in this study, because the conceptual model and operationalization of organizational capacity

incorporate organizational knowledge and learning as underlying constructs, as well as one of the six component dimensions. The award of Beacon status is associated with organizational sharing and exploitation of knowledge because first, award criteria include dissemination plans; and second, award winners promote knowledge-sharing to help other organizations learn from Beacons' excellent practice.

The capacity for knowledge and learning was significantly greater in Beacon than non-Beacon councils; and the difference in their learning capacity also increased over the two years. Beacon councils reported greater capacity in targeting knowledge requirements (identifying gaps for learning and improvement); and understanding how to support complex learning needs. Knowledge acquisition was significantly greater, in particular from external sources; and elected members, managers and staff regularly participated in learning networks with other agencies. Other knowledge-related items (in the Internal Alignment dimension), where Beacon councils said they had significantly greater capacity, included a greater value placed on learning by elected members, managers and staff; enthusiasm to learn new ways of doing things; sharing of ideas and good practice; and ease in trying out new ideas.

The research results extend our understanding derived from prior studies into organizational knowledge and learning, and into absorptive capacity in a number of ways. First, they provide empirical evidence of absorptive capacity,

which has been very limited in private organizations, and very rare in public organizations. These findings here suggest that Beacon councils benefit from greater exploration and exploitation of knowledge (Zollo and Winter, 2002; March, 1991) building upon their prior knowledge base and transforming potential into realized absorptive capacity.

Second, the research identifies some novel, important, organizational learning processes, such as identifying gaps for learning and improvement, and understanding how to support complex learning needs, which are pre-requisites for targeting and synthesising knowledge acquisition.

Third, the results provide evidence of the crucial role of specific individuals, in this case, elected members in organizational learning in local authorities (as suggested by Rashman and Hartley, 2002 in much more limited research).

Fourth, the results confirm normative elements of organizational learning and capacity: the need for alignment of the values and activities of individuals with organizational values. In this case, elected members, managers and staff place high value on knowledge creation, transfer and sharing of good practice (Rashman et al, 2005).

The greater perceived level of knowledge and learning amongst Beacon councils appears to support the view that capacity for organizational learning

is associated with capacity for organizational innovation (Hartley, 2008; Kim, 1998). The research results redress the very limited empirical evidence of the relationships between absorptive capacity and organizational learning (Lane et al, 2006) by first explaining some normative elements and learning processes that contribute to knowledge acquisition; second, providing evidence that prior knowledge contributes to the assimilation of targeted knowledge; and third, that absorptive capacity encourages more learning over time.

Least differences between Beacon and non-Beacon councils' organizational capacity

The items of least difference between Beacon and non-Beacon councils occurred at the highest and lowest levels of capacity i.e. those variables where both types of council reported similarly high levels of organizational capacity; and those where reported capacity was of a similarly low extent. There were some overlaps between the items that Beacons and non-Beacons rated most highly in their actual capacity: both types of council reported promotion of council aims and ambitions, and listening to customers, to be amongst those aspects where capacity was greatest.

Both types of council identified their weakest areas in 2004 to be participation in external networks; supporting complex learning needs, and integration of innovation. The result related to external learning networks is surprising as it could be expected that Beacon councils would participate fairly substantially

in inter-organizational learning networks. The other two items where capacity was least I argue are amongst the most challenging and difficult organizational capacity factors because they involve complex learning processes that appear to be associated with technical mastery (Kim, 1998).

The four items in which the t-test results of actual capacity in 2004 found no significant difference between Beacon and non-Beacon authorities relate to flexible and collaborative working internally, working with partner agencies, and outsourcing of services. Three of these four items are in the Structural Flexibility dimension. Responses were almost identical in only one item: *We are trying out new forms of service design that do not depend on retaining services in-house.*

There are a number of possible explanations for the similarly low level of structural capacity in both types of council for joint working, service design and service procurement. Institutional or political barriers may exist to outsourcing services, or there may be operational difficulties in managing the concurrent demands of both sustained service performance, and implementation of national policy shifts (Schall, 1997). Alternatively, councils may lack particular knowledge and skills, including evaluative capacity (Sanderson, 2001) to “test out” service designs; and skills in implementing relatively recent policy measures, such as procurement and partnership relationships (ODPM, 2003a). In the later section on changes in

organizational capacity over two years, I will return to discuss these four items of least capacity across both types of council.

Summary

In summary of this section, the scores from both types of council, and in both surveys, show that Beacon councils have significantly greater capacity than non-Beacon councils. Beacon councils report greater capacity for the whole planning cycle of organizational change and innovation, from planning and implementation of change, to evaluation and learning from new initiatives. These are amongst critical attributes for local authorities' programmes of modernization, change and improvement.

Beacon councils appear to have a more developed phase of intensification of learning and evolution of a knowledge "platform" (Kim, 1998; Bardach, 2008) than non-Beacons, illustrated by greater capacity for learning and knowledge exploration and exploitation, and greater propensity for innovation. They appear to exhibit a more positive orientation towards future performance than non-Beacon councils; and report greater leadership capacity for change. Their relatively higher levels of perceived capacity in knowledge, learning and leadership suggest greater levels of absorptive capacity than non-Beacons, and greater capacity for future experimentation and innovation (Osborne and Flynn, 1997: Newman et al, 2000; Hartley, 2008).

The small number of areas of least capacity reported to be similar in both Beacon and non-Beacon councils relate to political responses to recent statutory responsibilities and the need for new knowledge and skills to lead partnerships and make efficiency savings through procurement.

These results suggest that being a Beacon council is positively related to a greater extent of organizational capacity but this relationship cannot be explained as a causal link. Comparisons between the two types of council in this study suggest a relationship between a greater extent of organizational capacity and better performing councils that engage in organizational sharing and exploitation of knowledge.

The discussion turns next to change in organizational capacity over time.

A VIEW ABOUT CHANGES IN ORGANIZATIONAL CAPACITY OVER TWO YEARS

One of the main aims of the empirical research was to investigate the characteristics of capacity by comparison between *expected* changes in organizational capacity, and the extent of *actual* change in capacity over time. The longitudinal aspect of the research design compares the differences between predicted organizational capacity in 2004 and actual organizational capacity two years later in 2006. This approach investigates potential capacity; and change in capacity.

In this section, I discuss the expectations of future capacity, first in all councils; and second I compare expectations of future capacity between Beacon and non-Beacon councils.

Which organizational variables did councils say would be needed in the future? To what extent are these expectations of future capacity elements of potential "build-up" and growth (O'Connor et al, 2007), in preparation for future change or innovation?

Zahra and George (2002) made the distinction between potential and realized (actual) capacity to absorb knowledge: knowledge acquired may or may not be exploited for increased organizational performance. The proposition is that organizations must intensify their efforts of knowledge exploration, to acquire and assimilate knowledge in anticipation of future objectives and challenges, including those which may not be pre-determinable (O'Connor et al, 2007). Potential capacity incorporates anticipation of future needs, and assumes that an organization has goals and plans that drive expansion of knowledge (Kim, 1998). The expansion of knowledge may facilitate experimentation and innovation (Kim, 1998). Potential capacity is important for sustainability of achievement, enhancement of performance, mechanisms for recovery (Turner and Whiteman, 2005), assimilation of innovation (Greenhalgh et al, 2004), or natural progression. There had been very little previous empirical evidence on potential and realized capacity, or attempts to integrate these concepts into

conceptualizations of absorptive capacity (Lane et al, 2006) and so the empirical findings from this research are particularly valuable.

Expectations of change in capacity in all local authorities

To what extent did councils expect their capacity to increase over two years? At the aggregate level of all councils (i.e. Beacon and non-Beacon councils), the results of the paired samples t-test of current capacity in 2004 and expected capacity in 2006 show that expected capacity was significantly higher than actual capacity in all 46 items. This result is a second important finding of a large number of items with statistically significant differences.

Councils reported that they expected every item of organizational capacity to increase significantly, to contribute to the performance of local authorities in two years. This result at least in part, can be attributed to a general effect of optimism i.e. all councils hope that they will improve over time (especially in an institutional context which prizes improvement). This could also be seen as a methodological bias – that asking people how they expect to be in the future will generally elicit a sense of progress, growth or improvement. Therefore, it is perhaps less important that there is an increase over time (optimism effect) but that some items show greater anticipated increase than others.

There are discernable patterns in all councils' expectations of capacity in 2006. Local councils predicted increased capacity in relational activities such

as engagement with citizens and stakeholders; strategic activities including promoting ambitions and direction-setting; and in operational activities such as effective self-management. These were amongst variables with high scores in actual capacity in 2004.

By contrast, the greatest expected increase over two years in future capacity was in five items, which were amongst those items with lower levels of actual capacity in 2004. A low actual extent of capacity and a relatively larger expected increase in capacity suggests that respondents expected to increase capacity to a greater extent over two years in those aspects where they perceived the council's performance capacity currently to be relatively weak. I suggest that these particular expectations are less likely to result only from an optimism effect.

Local authorities reported the need to strengthen capacity, so as to develop a more creative orientation (Kim, 1998), and internal cultural environment receptive to change (Greenhalgh et al, 2004; Newman et al, 2000), in which knowledge sharing across internal boundaries (Newman et al, 2000) could result in innovation in practice (O'Connor et al, 2007). Potential capacity for future innovation includes an increase in relational assets by developing internal networks (O'Connor et al 2007). Use of performance data was expected to increase substantially.

However on closer examination there were other variables that had an equally low, or lower, extent of actual capacity in 2004 that all councils did not expect to increase to the same extent.

Four of the seven variables where expected increases in future capacity were lowest, were drawn from the knowledge and learning dimension. Knowledge and learning dimension variables with low expectations of change in future capacity scores were: learning networks; complex learning needs; seeking ideas for service improvement; and links with national agencies.

These are surprising results, as they suggest that local authorities did not consider increased potential knowledge and learning would be as important for their future performance as some other aspects of organizational capacity. In particular, councils as a whole (i.e. Beacon and non-Beacon councils together) appeared not to expect to substantially increase their capacity for new ideas and learning through external networks locally and nationally, and did not expect to be better able to support complex learning needs. The lack of focus on learning networks may be an effect of this not being included in the national policy language of improvement.

Leadership dimension items with low expectations of future capacity scores were: risk taking and learning from mistakes; and the impact of change champions. The structural flexibility dimension item with a low expected

capacity score was: new forms of services design. Councils either did not expect to be able to increase capacity in these variables or did not consider it necessary.

Taking the low relative scores on knowledge and learning in combination with a limited approach to risk-taking and learning from mistakes, one possible picture that emerges is of comparatively insular and cautious organizations, with under-developed external relationships (Newman et al, 2000: O'Connor et al, 2007), and only a partial understanding of the role of learning mechanisms in organizational improvement and innovation (O'Connor et al, 2007; Hartley and Rashman, 2002).

Alternatively, a low extent of organizational capacity and a low expected extent of future capacity could mean that councils were unable to transform and exploit their potential capacity, and thus improve their performance, due to constraining factors, which may derive from their institutional or political environment. The lack of a distinct R&D function (Cohen and Levinthal, 1990) may explain why public organizations, in comparison to private companies, may find difficulty in re-investment in knowledge and transformation of potential knowledge. Less well performing authorities have different trajectories of improvement in that they adopt different strategies, with different prospects of success (Turner and Whiteman, 2005). Consequently their starting position may require a focus on basic management skills and

performance management processes (Turner and Whiteman, 2005), compared with expectations of more complex capacity change in high performing councils. It will be important to examine whether there is a difference between Beacon and non-Beacon authorities in these knowledge-related elements of potential capacity.

One notable exception, the low level of expected capacity in new forms of service design, I suggest may be interpreted differently. The reform of public organizations to incorporate outsourcing of services is a political and contentious aspect of the LGMA (Martin and Bovaird, 2005). The perception that less potential capacity will be required for new forms of local public service design, that may not be retained in-house, may reflect local responses which are cautious or resistant to particular central government policies. Externally imposed requirements of service design and outsourcing of services are indicative of the inherent tensions that public organizations must manage and that are amongst characteristics of their complex and political institutional environment (Scott, 2008; Christensen et al, 2007; Hartley et al, 2008).

Expectations of change in organizational capacity in Beacon and non-Beacon councils

The discussion turns next to whether Beacon and non-Beacon councils predicted different levels of future capacity. Beacon councils said they expected substantially greater capacity compared with non-Beacon councils

in their capacity for leadership; knowledge and learning; and planning and evaluation.

The analysis of the independent samples t-test shows that Beacon councils' scores were significantly higher in the expectations of future capacity in 2006, than non-Beacon councils, in 21 out of 46 items, and this is a fairly large number of items on which to find statistically significant differences.

I have previously found that at an aggregate level of all councils (i.e. Beacon and non-Beacon councils), *expectations* of future capacity were significantly higher than *actual* capacity in all 46 items.

To recap, compared with non-Beacons, Beacon councils reported a greater extent of *actual* capacity in 2004, in 42 out of 46 items. All councils' reported *expectations of future* capacity in 2006 were significantly higher in all 46 items. Beacon councils' *expectations of future* capacity were greater than non-Beacon councils' *expectations* in 21 out of 46 items.

The scores indicate that all councils *expected* to increase *future* capacity in all variables; and in addition, Beacon councils *expected* a greater increase in *future* capacity, in 21 of these variables.

First, this suggests that Beacon councils may prioritise specific factors of their organizational capacity for future growth.

Second, non-Beacon councils predicted that their increase in future capacity would be to a similar extent as (i.e. not significantly different from) Beacons, in the remaining 25 out of 46 variables. This second group of scores is surprising as it suggests that low performing (i.e. non-Beacon) councils (whose *actual* capacity scores in 2004 were significantly lower) predicted that they would be capable of a similar extent of future capacity compared with better performing councils. These results suggest that low-performing authorities may be unrealistic about their current capacity and/or what it takes to achieve improvement. Their unrealistic expectations may be a function of their relative isolation and lack of participation in external networks.

At the variable level Beacon authorities said they expected to have greater capacity to be innovative, seek out and integrate new ideas, effect change, and be proud of achievements than their counterparts from non-Beacon authorities. These higher scores support Kim's (1998) phased approach to the expansion of knowledge, suggesting that Beacon councils are shifting their learning orientation towards innovation.

Beacon councils' scores showed significantly greater expectations of capacity in five out of eight variables in the knowledge and learning dimension,

compared with non-Beacons. Compared with non-Beacons, Beacon councils predicted a greater increase in future capacity in: identifying gaps for learning and improvement, seeking and bringing in ideas from external sources, use of information and performance data for task performance.

The findings here regarding Beacon councils' greater expectations of learning capacity and innovation are in sharp contrast to the earlier finding that across all councils together, expectations of future knowledge-related capacity were surprisingly low. This greater emphasis on the importance of knowledge and learning for future capacity amongst Beacon councils provides empirical evidence of the value of knowledge for future innovation (Hartley, 2008; Kim, 1998); and organizational transformation (Nonaka and Takeuchi, 1995). Due to the cumulative and recursive nature of absorptive capacity (Lane et al, 2006), Beacon councils appear to expect greater capacity for exploitation of knowledge.

Differences between Beacon and non-Beacon reported expectations of greatest increase in future capacity show that Beacon authorities expected to increase most their capacity to integrate innovative ideas, identify gaps for learning, and build on past success. In contrast, non-Beacon authorities expected to increase most their capacity in valuing learning, internal staff relationships, and actively making improvement, over the next two years. These distinctions suggest more readily available knowledge and a more

advanced learning orientation towards innovation (Kim, 1998; O'Connor et al, 2007) amongst Beacon councils.

Summary

In summary of this section on expectations of future capacity, all councils (i.e. Beacon and non-Beacon councils together) expected to increase their future capacity significantly in all capacity factors over two years. Beacon councils said they expected to increase their capacity to a greater extent than non-Beacon councils in approximately half of the capacity items, compared with non-Beacon councils.

Surprisingly, local authorities as a whole did not perceive that increased potential knowledge and learning would be as important for their future performance, as did Beacon councils. Beacon councils predicted their greatest future capacity in building upon prior knowledge and success to increase their ability to integrate innovation. By contrast, non-Beacon councils' expectations focused on developing internal networks; and an internal cultural environment receptive to change. These findings suggest that low-performing local authorities may lack appreciation of the importance of learning mechanisms; may be unrealistic about their current capacity and/or what it takes to achieve improvement; or may face greater constraining factors in their institutional or political environment.

The distinctions between lower- (i.e. non-Beacon) and better-performing (i.e. Beacon) councils appear to be reflected in their respective future emphases on basic management skills, performance management processes, and improvement (Turner and Whiteman, 2005) amongst low performers, compared with expectations of more complex change, and innovation in high performing councils.

The results in expectations of future capacity suggest that Beacon councils compared with other local authorities are more ambitious and have learning-oriented trajectories that strengthen their potential capacity, so that it can be realized (Zahra and George, 2002), for future improvement and innovation.

The discussion turns next to changes in the extent of organizational capacity over two years, between the 2004 and 2006 surveys of local authorities.

CHANGES IN ORGANIZATIONAL CAPACITY

This section of the discussion turns to changes in actual capacity over two years. This aspect of the research considers a number of empirical and theoretical questions. What changes are discernable in the organizational capacity of local authorities over time? In which of the items of capacity did change occur? To what extent were expectations of potential capacity realistic and similar to actual changes in the extent of councils' capacity over two years? What can these results tell us about the temporal nature of

organizational capacity, and about the relationship between the concepts of organizational capacity and capacity building?

The discussion first considers changes across all councils and then turns to the differences in changes in capacity between Beacon and non-Beacon councils.

Changes in organizational capacity in all local authorities

The changes in mean scores of organizational capacity over two years show that all English local authorities reported that they increased their capacity to a significant extent between 2004 and 2006, which is a third important finding. The results of the independent samples t-test show that all councils' (i.e. Beacon and non-Beacon responses together) extent of capacity was greater in 2006 than in 2004, in 32 out of the 46 items. In the remaining 14 items, there was either no change or a small but not significant increase in capacity. There was no statistically significant decrease in capacity in any item reported over the two years. This result appears to support the general narrative about local government improvement, from a number of practitioner bodies such as the Audit Commission and from academics such as those involved in the meta-evaluation where improvement is reported. However, no other bodies or set of evidence has examined capacity.

In the 2006 survey, all councils reported the greatest levels of actual capacity in: self management; team work; aims and ambitions; and collaborative working. As previously discussed (Figure 7.1), these are amongst items of organizational capacity that remained consistently high in each of the two surveys and therefore similar over time. I suggest that autonomy, teamwork, a positive orientation towards organizational aims, and collaboration are amongst distinctive cultural features of public organizations.

The independent samples t-test identified eleven items where differences between the mean scores over two years were the greatest. Between 2004 and 2006, organizational capacity had increased significantly most in terms of: placing greater value on learning and implementing learning through bringing in ideas, sharing and making use of information; planning change and creating conditions receptive to change; improved self-management and collaborative work with colleagues. These factors are known from other research to be amongst pre-conditions for a climate open to organizational learning (Finger and Brand, 1998) and innovation (Newman et al, 2000).

In contrast, those aspects of capacity that had not increased over two years included: external, inter-organizational networks, at local, regional and national levels; leadership of cultural change; understanding complex learning needs and preparation for learning; joint working and decision making with other agencies. A lack of increase in joint working with other agencies and in

external networks may be illustrative of tensions between the needs of citizens and political leadership, which characterize capacity building in public organizations (Honadle, 1981). The relatively limited extent of change in cultural, structural and environmental conditions (Newman et al, 2001) suggests that innovative capacity increased less than other aspects of organizational capacity. This is an important finding given the current interest in policy, practitioner and academic circles of the value of innovation as a means to achieve public service improvement.

These results confirm Kim's (1998) concept of sequential stages of prior knowledge each providing a platform for the next stage, so as to increase absorptive capacity. Kim's early stages focus on organizational conditions of social interaction, distributed systems of knowledge sharing, the embedding of organizational beliefs and routines, and "consensual validity" of the strategy for learning (Kim, 1998: 507). Creativity, inter-organizational knowledge sharing, challenging goals, and intensification of effort, are associated with later phases of more complex learning and innovation. Turning to this research, the factors in which capacity in all councils reportedly had not expanded, tended to be associated with more complex, later stages of absorptive and innovative capacity and this is consistent with the Kim approach.

Similarly, the results are consistent with capacity in early stages of innovation capacity building, incorporating "cultural build-up" in human, relational and procedural factors that contribute to a transformative and learning orientation (O'Connor et al, 2007: 544). Capacity across all councils did not increase in transformative factors: experimentation, regular participation in internal and external networks (O'Connor et al, 2007), engaging in external networks to share best practice (Cabinet Office, 2006) and creating tacit knowledge and skills as a means to improve organizational performance (ODPM 2005; Harrow 2001; ODPM 2003b; Hartley and Rashman, 2007).

In summary, the increases in organizational capacity in all types of council appear consistent with the early phases of expansion of capacity, developing prior knowledge and cultural conditions for subsequent phases of knowledge application and innovation.

Expected capacity compared with actual capacity in all English local authorities

What do the changes in expected and actual capacity tell us about capacity and about capacity building? First, we might examine how do the changes in organizational capacity in 2006 compare with expectations of capacity two years previously? Overall, local authorities' reported increase in organizational capacity in 2006 was significant, but less than expected capacity predicted in 2004.

In 2006, the reported extent of actual capacity was significantly greater in 70% of factors than the extent of actual capacity in 2004 (32 out of 46 factors), but at the individual variable level, the increase was not as great as predicted.

Of the five variables with the greatest expected increase in capacity in 2006, three were amongst the eleven items where differences were the greatest in 2006. These items related to managers and staff use of performance data; sharing ideas across the council; and working across internal boundaries.

At the aggregate level of all types of council, local authorities reported that they increased to a greater extent their organizational capacity in those aspects which related to improving their internal relationships, sharing internal knowledge, and using information. In other words, these were all areas about internal functioning. In contrast, the two variables that did not increase to the extent expected, related to integration of innovative ideas; and participation in cultural change. Local authorities reported less increase in their capacity for more complex activities that relate to systemic change and the embedding of learning to promote change.

These results may indicate that local authorities as a population are able to acquire and assimilate knowledge to increase their potential absorptive capacity but face constraints to the transformation of potential into realized (actual) capacity (Zahra and George, 2002). In the wider research

programme, local authorities reported that they would make less use of all sources of learning for making improvement in 2006, compared with 2004; and they experienced greater constraints on organizational learning and change in 2006 compared with two years previously (Hartley et al, 2007).

These findings here support the theoretical models proposed by Van den Bosch et al (2005: 293), and Lane et al, (2006: 856) and suggest that local authorities' expected increase in absorptive capacity is strongly influenced by external triggers, such as government policy and reform; and is enabled by internal social mechanisms to share knowledge. The results are important because they develop and extend these authors' models which previously had not been empirically tested. In addition, the empirical results extend the application of the concept of absorptive capacity into public organizations.

However, the results highlight some limitations in Van den Bosch et al's (2005) model of a firm's absorptive capacity. First, their model does not explain the dynamics whereby an organization may either succeed or have difficulty in appropriating and realizing its capacity to absorb new knowledge. In addressing this, the research results support the proposition that other features in addition to absorptive capacity are required to create a receptive context for learning and change. These additional features include strong leadership and effective knowledge management systems; mechanisms to integrate innovative ideas into practice and to engage organizational actors in

cultural change. These further factors are consistent with other writers (Greenhalgh et al, 2004; Cohen and Levinthal, 1990) on learning and innovation.

Second, Van den Bosch et al (2005) and Lane et al (2006) propose commercial outcomes of competitive advantage (such as products, services and intellectual property) but these are inappropriate for the institutional context of public organizations (Christensen et al, 2007), and so an alternative explanation of productive outcomes of absorptive capacity is required. The research suggests that outcomes of public organizations might include innovation in service delivery; improved outcomes for service users and citizens; collaborative interagency partnerships; evaluation and learning from new initiatives. These are amongst areas which might be explored in future research which could address appropriate outcomes for the public sector.

Third, there is a need for operationalization and measurement of the concept of absorptive capacity (Van den Bosch, 2005; Lane et al, 2006), to which these research results contribute and by extension, to organizational capacity.

To summarize this section on changes in organizational capacity over time in all councils, the longitudinal analysis of the national surveys suggests that there may be a relationship over time between increases in organizational knowledge, contextual factors, and increases in organizational capacity. This

highlights the need to consider the organization not only in its own terms but in its environmental (including institutional) context, which has been under-emphasised in many models of knowledge creation and transfer to date.

Local councils reported that they expected to increase capacity in strategic activities such as engagement with citizens and stakeholders, promoting ambitions and direction-setting; and developing a more creative orientation and internal cultural environment receptive to change, and innovation in practice. Surprisingly, councils did not consider potential knowledge and learning, and participation in external networks would be as important for their future performance. This may be related to an explicit emphasis in policy reform on the former factors, and less emphasis on learning. Alternatively, councils may need to accumulate sufficient prior capacity to progress to a more advanced knowledge “platform” (Kim, 1998; Bardach, 2008).

O’Connor et al (2007) had noted that sustained and increased capacity appeared to be greatest in “early phase” human, relational and procedural factors that contribute to “cultural build-up”, and a transformative and learning orientation. In contrast from my research, the factors in which capacity in all councils had not expanded, tended to be associated with more complex relationships and systems associated with later stages of absorptive and innovative capacity, and the embedding of learning to promote change.

These findings have implications for the relationship between capacity and organizational performance. Local authorities as a whole (i.e Beacon and non-Beacon councils) may be able to acquire and assimilate knowledge to increase their potential absorptive and organizational capacity but some councils may face constraints to the transformation of potential into realized (actual) capacity. Tompkins asserts (1995:79) whether or not expansion of capacity has taken place provides evidence of collective learning outcomes that are connected to enhanced performance. Thus, expansion of capacity in early phase factors may have limited impact on organizational performance because it is only *realized capacity* that impacts on changes in organizational outcomes.

The research results highlight limitations in the concept of absorptive capacity in two ways. First, in terms of its dynamic mechanisms and second its appropriateness to public organizations. This research extends this concept by contributions to the operationalization and measurement of the construct. The results support the phased notion of organizational capacity in prior studies by Kim (1998) and O'Connor et al (2007), as well as potential and realized absorptive capacity (Zahra and George, 2002).

Changes in organizational capacity in Beacon and non-Beacon councils

The discussion turns now to differences over time and between the two independent variables (i.e. Beacon and non-Beacon councils), to assess

whether Beacon councils' greater initial capacity in 2004 was sustained, or increased, compared with non-Beacons, over two years.

The analysis shows that Beacon councils reported a substantially greater extent of capacity in 2006 in their organization than non-Beacon councils in 36 out of 46 items and these differences are significant. This is a very consistent pattern, suggesting clear differences in capacity between Beacon and non-Beacon councils, and is the fourth important finding.

All councils increased their perceived capacity significantly in all 46 capacity items over the two years 2004 to 2006; and Beacon councils' extent of increase is significantly greater than non-Beacon councils in 36 of these factors.

In terms of the six dimensions of actual organizational capacity in 2006 the three dimensions with the greatest proportion of significant differences at micro level were: Leadership (eight out of eight significantly different mean scores); Internal Alignment (seven out of seven mean scores); and Planning and Evaluation (eight out of ten significantly different mean scores).

Notably, Beacons reported greater actual capacity than non-Beacons in: evaluating and learning from new initiatives: planning and implementing

change; risk-taking and learning from mistakes; sharing information with other councils; innovation and testing out new ideas.

Compared with the results in 2004, where all councils had a similarly low level of capacity in three items in 2006, Beacon councils compared with non-Beacons had increased their capacity significantly in decision-making with partners. There were no significant differences between Beacon and non-Beacon councils and over time in the two items in joint working; and service design and procurement.

The significant increases in organizational capacity support those authors who suggest that there is a relationship between organizational learning, capacity and performance, to enhance existing practice and routines (Araujo, 1998), as well as improve public services (Martin, 1999; Rashman and Hartley, 2002; Jas and Skelcher, 2005).

In contrast to non-Beacons, where expansion of capacity was more limited, Beacon councils reportedly increased their capacity to a greater extent, and in the majority of variables. Beacon councils expanded their capacity to a greater extent in variables contributing to: exploration and exploitation of knowledge; cultural and structural change; adaptive leadership; planning, implementation and evaluation of change; and innovation. Their greater capacity in these variables suggests that Beacon organizations have put in

place preparatory learning stages and are moving towards creativity, experimentation and application of continuous learning (Kim, 1998; Bardach, 2008) associated with organizational maturity.

Expected capacity compared with actual capacity in Beacon and non-Beacon councils

To what extent were predictions of growth in capacity feasible and realistic? Did realization of these expectations vary between councils with different levels of performance? A comparison over time between expectations of capacity and actual increase in capacity, and between Beacon and non-Beacon councils contributes to explanations of changes in organizational capacity.

First, Beacon councils tended to predict a more moderate level of increased capacity than non-Beacons, compared with their actual capacity in 2004. Second, their actual increase in capacity in 2006 was more similar to their expected capacity than non-Beacons. Third, non-Beacons tended to predict much greater increases in capacity than they reported in actual capacity in 2006. This was the case both where expectations of capacity were significantly different, and were not significantly different between the two types of council. These findings suggest that Beacon councils were more realistic and accurate in their predictions of future capacity than non-Beacons.

This difference is illustrated by comparing scores in the variable, *Elected members, managers and staff genuinely value learning.* Beacon councils' mean scores were: actual capacity 2004 (mean 3.59); expectations of capacity in 2006 (mean: 4.13); and actual capacity in 2006 (mean: 3.92).

Non-Beacon councils' scores for the same variable were: actual capacity 2004 (mean 3.18); expectations of capacity in 2006 (mean: 4.03); and actual capacity in 2006 (mean: 3.51).

This example shows that non-Beacon councils' actual capacity in 2006 was substantially less than the expected increase, compared with Beacon councils, whose levels of actual increase were more similar to their predictions. These findings support Kim's (1998) assertions that considerable effort is required to create new knowledge and to learn from external sources; and that effort must be matched with prior knowledge. They appear to extend prior studies by Kim (1998), Zahra and George (2002) and Van den Bosch et al (2005) on absorptive capacity, by placing emphasis on the ability to predict capacity requirements and to focus effort, as preconditions to transform potential into realized capacity.

Beacon councils appear to perceive they have more prior knowledge and hence greater absorptive capacity and are more realistic about their organizational competencies. That prior knowledge includes learning from

evaluation of past initiatives, and from past mistakes, and more effective analysis of future learning needs. These factors, combined with greater confidence and openness to risk suggest a greater propensity for the exploitation of knowledge (Zollo and Winter, 2002), and these factors may form extensions to antecedents that reduce the gap between potential and realized capacity (Van den Bosch et al, 2005; Zahra and George, 2002).

In turn, greater exploitation of knowledge contributes to important organizational outcomes, such as innovation, implementation of organizational change and improved performance (Zahra and George, 2002; Bloodgood and Morrow, 2003). The acquisition of new knowledge and efficient spread of knowledge through an organization are likely to form important aspects of implementation of organizational change (Bloodgood and Morrow, 2003).

This empirical work is particularly important because it is one of the few studies which has examined organizational knowledge over time and which has therefore been able to compare predicted and actual performance. Although these are both self-reported and therefore may be subject to common method bias/variance, it is still a significant step forward in a field where there is too much single instance reporting.

Summary

In summary of this section on changes in organizational capacity in Beacon and non-Beacon councils, the award of Beacon status appears to be associated with a greater increase in capacity; and a sustained level of greater organizational capacity over two years. Beacon councils report greater organizational capacity, which incorporates greater prior knowledge; and a greater understanding of the value of organizational learning.

High-performing councils appear to be more effective at combining predicted knowledge requirements with effort for learning and prior knowledge. Beacon councils report a greater external orientation for knowledge acquisition and more openness to risk and innovation. Their reportedly greater capacity for leadership and learning help to exploit and spread knowledge through the organization. In turn, these features may contribute to the implementation of organizational change and the integration of innovative ideas. Build up of organizational capacity and phases of organizational learning appear to have an extensive, positive and sustained impact on organizational performance.

These longitudinal results provide empirical evidence of knowledge acquisition, assimilation and application over time, suggestive of the recursive nature of absorptive capacity, and by extension of the recursive nature of organizational capacity. Prior knowledge, and prior absorptive capacity, as

well as structural, cultural, and leadership factors are amongst constituents and enablers of successive platforms of increasing organizational capacity.

The results in Beacon councils contrast markedly with lower-performing councils' relatively limited extent of change in cultural, structural and environmental conditions and less extent of innovative capacity. Reported change in capacity in non-Beacon councils was significantly less than predicted and lower-performing councils did not consider knowledge and learning would be as important for their future performance.

The findings contrast with critical reviews of the knowledge literature. Lane et al (2006: 854) argue that researchers on absorptive capacity have ignored contextual factors; very few empirically tested their redefinitions; and it is doubtful whether most studies *"actually measured absorptive capacity at all."* Writing on organizational learning and knowledge, Easterby-Smith and Lyles conclude (2005: 645) that *"we do not know the constructs that influence knowledge or learning utilization. Few studies address when knowledge is used and the timeliness of that usage."*

Explanations of greater change and improvement in Beacon councils

How can we explain the different extent in organizational capacity of better performing councils, associated with organizational sharing of knowledge and service improvement? Do Beacon councils have greater capacity and

therefore better performance, or does the award of Beacon status lead to increased awareness of the organizational importance of knowledge and learning?

The results show that Beacon councils' greater perceived organizational capacity incorporates first, a greater understanding of the value of organizational learning; second, greater prior knowledge; and third the cultural, structural, relational, leadership and evaluative factors to transform organizational knowledge and learning into realized (actual) capacity. The combination of these factors appears to lead to perceptions of sustained high capacity and high performance, illustrating the recursive nature of organizational capacity: *"The greatest benefits [of the Beacon Scheme] appear to be gained by organizations that already have the capacity to innovate and to learn."* (Hartley, 2008: 180).

In other findings from the survey, Beacon councils say they engage more in learning activities than non-Beacon councils, and are able to build upon early learning phases (Kim, 1998) and prior knowledge to progress to subsequent, more sophisticated phases of organizational knowledge exploitation, learning and innovation. The result is consistent with prior research into Beacon councils which identifies capacity to learn as a pre-requisite of innovative practice, adaptation to local circumstances, and improvement in service performance (Hartley, 2008; Hartley et al, 2007). The build up of

organizational capacity appears to have an extensive, positive impact on organizational performance in other settings (O'Connor et al, 2007).

To what extent are these differences in prediction compared with outcome a function of different performance categories and contexts? The results suggest that Beacon councils may have more realistic expectations of future capacity in the face of constraints, than non-Beacon councils. An alternative explanation may be that non-Beacon councils' expected increase in capacity was from a lower base in 2004 than Beacon councils.

Both of these explanations support and extend Turner and Whiteman's (2005: 632) study of turnaround in poorly performing authorities. Those authors found that *"poor performance amongst local authorities usually comes in differing forms"* that depend upon political, managerial, cultural, and external contextual features. Performance trajectories vary between poorly performing authorities seeking "turnaround", which have different contextual factors and different combinations of cognition, capacity and capability. This present study finds that performance trajectories vary between lower performing and better performing authorities, which in addition to the features above have different knowledge-related capacity.

Differences are evident in capacity between Beacon and non-Beacon councils at multiple levels and show greater capacity at the individual, collective and

organizational levels. Individual staff report they have greater capacity to work autonomously, take risks, seek new knowledge, use data, and put learning into practice as shown in the analysis undertaken by Morrell and Hartley (2006). Managers and elected members model preferred behaviours, identify learning needs, plan, lead and implement change to a greater extent. At the collective level, greater capacity is evident in relational factors including teamwork, sharing ideas for service improvement, and working collaboratively internally and with external partners. Greater capacity at the organizational level is shown in development of knowledge-sharing structures, high staff morale, planning, an internal culture that is receptive to organizational change, and leadership that encourages change, improvement and innovation.

The study illustrates the recursive nature of organizational capacity. It is difficult to determine whether Beacon councils have greater organizational capacity or greater awareness of the importance of knowledge, as capacity, knowledge and learning are inter-related, and inter-dependent. Beacon councils appear to have greater capacity *for* learning and can draw on prior knowledge to increase current capacity. There does seem to be a virtuous circle once this pattern starts.

It appears that increases in organizational capacity over time depend upon phases of deliberate organizational learning. Prior knowledge is combined

with what turns out to be realistic predictions of future capacity requirements and capacity for planning, implementation and evaluation of change. Early phases are characterised by collaborative social relationships and cultural and structural features receptive to learning and change. Later phases are characterised by effective evaluation, and the internal alignment of normative elements which place value on learning as a means to improve performance. Leadership helps to focus effort on organizational aims and priorities, and to predict and evaluate capacity requirements. Learning phases advance between organizational knowledge acquisition (potential capacity), adaptation (transformation), and exploitation (realized capacity). Organizational learning and knowledge appear to be critical factors in public organizations' capacity.

The discussion turns next to a summary of the main findings and their interpretation.

SUMMARY OF THE DISCUSSION AND EMERGENT ISSUES

The definition and empirical results on organizational capacity show that characteristics of local authorities such as their Internal Alignment; Leadership; Structural Flexibility; Knowledge and Learning; Enabling Conditions; and Planning and Evaluation, are important dimensions for understanding the performance of public organizations.

The study addresses criticisms of previous studies which, it has been argued, have been found to lack contextualisation. I have developed a conceptual and an empirical framework and have interpreted the empirical results appropriately for the particular institutional, organizational and social context. Unlike private firms, public organizations require knowledge and capacity for public policy implementation and the creation of public value. The Beacon Scheme illustrates the importance of capacity for organizational learning and performance; and contributes to explanations of the differences in organizational characteristics of better- and lower- performing councils. The design of this study and its results also show the importance of setting organizational issues in their institutional and policy context.

First, the study adds theoretically and empirically to the limited literature that addresses organizational capacity in public service organizations. The conceptual framework has been validated, both through factor analysis and through the results which have mainly come out in the expected direction.

Second, the measurement instrument has a sufficient level of predictability, reliability and validity to have confidence in the research results. Overall, the study shows that English local authorities report the greatest extent of capacity in internal collaborative working relationships, and Structural Flexibility to acquire knowledge, through user and stakeholder engagement.

Their Leadership capacity is perceived to be greater in promoting aims for change and strategic direction, than in mechanisms of cultural change.

Local authorities exhibit less capacity for participation in external, inter-organizational learning networks. The weakest aspects of capacity of all councils relate to knowledge and learning. Unlike private companies, they may not be able to redirect substantial resources to increase their absorptive capacity, due to institutional constraints, such as political priorities and prescriptive policies.

Third, the study shows that is useful for the understanding of the processes and outcomes of capacity to distinguish between the capacity of better-performing and lower-performing authorities. The study found that the award of Beacon status is associated with significantly greater organizational capacity. Highly significant differences were found in the majority of variables. Beacon councils have greater capacity for the whole planning cycle of organizational change and innovation, including evaluation and learning from new initiatives. These appear to be amongst critical attributes for local authorities' programmes of modernization, change and improvement. As the drive for improvement in the policy context continues to put pressure on organizations, then this ability to be adaptable due to capacity is particularly important. The research results suggest that the policy world has focused too much on performance and not enough on evaluation and learning.

It is important to note that the analysis is based on a broad distinction between high-performing authorities and other authorities that are mostly average or lower performing. The results are not complete because some local authorities did not apply for Beacon status and there is therefore a range of performance amongst the non-Beacon councils. I have referred to lower performing councils throughout this thesis and am going to call them lower performing in aggregate although there are some outliers. The results would be stronger if all lower-performing authorities could be separated out from all high-performing authorities.

Fourth, the findings suggest that performance trajectories vary between lower-performing and better-performing authorities. Beacon councils report a more positive orientation towards future performance than non-Beacon councils and greater leadership capacity for change. Build up of organizational capacity and phases of organizational learning appear to have an extensive, positive and sustained impact on organizational performance. These findings have implications for models of change underlying policy on public service improvement.

Fifth, the longitudinal analysis of the two national surveys shows that there was a significant increase in perceptions of organizational capacity over two years, in all English local authorities. Change in capacity in high-performing (i.e. Beacon) councils was significantly greater than lower-performing

councils. In contrast to non-Beacons, where expansion of capacity was more limited, Beacon councils: reported more realistic and accurate predictions of future capacity; reportedly increased their capacity to a greater extent and in the majority of variables; and sustained greater organizational capacity over two years. Beacon councils' perceptions of greater organizational capacity incorporate greater prior knowledge; and a greater understanding of the value of organizational learning.

The research findings suggest that capacity in knowledge-related variables particularly influences the extent of organizational capacity and the extent to which capacity expands, in local authorities.

High-performing councils appear to be more effective at combining predicted knowledge requirements with focused effort for learning and prior knowledge. Beacon councils appear to develop more rapid evolution of successive knowledge "platforms" (Kim, 1998; Bardach, 2008), compared with non-Beacons. Their greater absorptive capacity (external knowledge exploration and exploitation of knowledge), combines with greater organizational capacity in their culture, structures, planning and leadership, and contributes to improved organizational outcomes, including implementation of organizational change, innovation and improved performance.

Sixth, this study contributes to research on absorptive capacity not only in public service organizations but in general. Absorptive capacity is an important component of organizational capacity. The study addresses the relationship between absorptive capacity and organizational learning; and between absorptive capacity and innovation (Lane et al, 2006). This present study addresses some of the gaps in prior research studies on the effect of organizational structures and processes on how organizations explore and exploit their prior knowledge base; and the role of individuals in absorptive capacity (Lane et al, 2006). It provides empirical evidence of prediction of capacity requirements, and focused effort, as preconditions to transform potential into realized capacity (Kim, 1998; Zahra and George, 2002; Van den Bosch et al, 2005).

In addition, the study argues that definitions and operational measures of absorptive capacity should be extended to the public sector context, where it has been relatively neglected. It is argued that a definition of absorptive capacity suitable for all sectors would substitute “organization” for “firm” and “productive outcomes” for “commercial ends” (see Van den Bosch et al, 2005; Lane et al, 2006). It would help to eradicate the sector-blindness which plagues organization studies.

The findings confirm the distinction between *potential* and *realized* capacity and place emphasis on predicting capacity requirements and focusing effort,

as preconditions to transform potential into realized (actual) capacity. Beacon councils tended to predict a more moderate and realistic level of future capacity than non-Beacons. Accurate predictions of future requirements enable public organizations to target plans, resources, activities and effort and may be of particular importance for implementing reform, improving services and creation of public value.

Seventh, the study provides insights into the multi-level nature of organizational capacity. The conceptual framework makes a contribution by explicitly including different levels and suggests their inter-relationship. Individual actors create and embed the value of learning-related and capacity strengthening behaviours. Individuals undertake distinct roles which include seeking new knowledge, exerting political influence, and giving legitimacy to changing norms and new ways of working. Teamwork and collaborative action contribute to sharing and adapting new ideas, the transformation of knowledge to improve task performance and innovation in service delivery. At the organizational level, knowledge-sharing systems, and leadership processes encourage cultural openness to learning, innovation and structural flexibility. At organizational level, capacity impacts on performance, morale, change and innovation. Finally, organizational capacity is embedded in its institutional context (Scott, 2008) and is influenced by features which include public policy, partner agencies, funding sources, and common meaning systems (Scott, 2008: 86). Institutional factors may contribute to levels of

organizational capacity in local authorities where responses to externally imposed requirements may be cautious, resistant, compliant or accepting.

Eighth, the study adds to the literature that addresses organizational capacity building. As an alternative to the multiple meanings and policy rhetoric of capacity *building*, this present study places a preferred emphasis on capacity *strengthening* and *increasing.* I suggest a change in terminology to address the ambiguity and rhetoric associated with the term's multiple meanings (Harrow, 2001) and to minimise scepticism in the public policy environment. Beacon councils appear to have more prior knowledge, greater absorptive capacity, and greater capacity in those factors that transform *potential* into *realized* (actual) capacity.

Implications of the findings for defining organizational capacity

The earlier literature review found confusion, ambiguity and lack of consensus in the definition of organizational capacity. The review argued for definitions that help to explain the complex inter-related features of the internal organizational infrastructure, culture, processes, activities, and potential of an organization to influence future action and performance. Definitions of organizational capacity are needed that explain its relationship to organizational learning, organizational knowledge, and organizational performance; and that are appropriate to the sector, including the public sector.

This study has contributed to definitions of organizational capacity by conceptually developing and then empirically testing a model that integrates internal structural, cultural, leadership, performance and knowledge-related features. The research findings have provided insights into the complex inter-relationships between these organizational features and their importance for public organizations. I have compared better-performing and lower-performing local authorities, and changes in these organizations over two years, in an effort to understand critical factors in organizational capacity.

First, organizational knowledge and learning emerged as highly significant features of organizational capacity. The findings confirm the distinction between *potential* and *realized* (actual) absorptive capacity (Van den Bosch et al, 2005; Zahra and George, 2002), which combines exploration with exploitation of knowledge (March, 1991) though goes beyond this work because the research findings here are able to address some of the issues of mechanism absent in the original Van den Bosh work. Organizational capacity is a broader concept which incorporates knowledge-related processes of absorptive capacity and integrates them with closely related organizational concepts that help to explain how potential capacity can be transformed into realized capacity.

Second, social processes that deliberately search, acquire, share and use knowledge contribute to the dynamic nature of organizational capacity. The

findings support Kim's (1998) and O'Connor's (2007) dynamic phases of potential "build-up" and expansion of knowledge and capacity in preparation for future learning, change and innovation. The empirical findings suggest that, by extension, phased increases occur in organizational capacity. My results confirm Bardach's (2008) assertion that components of capacity serve two developmental purposes: advancement of current performance; and a platform of use for future learning momentum. Organizational capacity depends upon prior knowledge, and potential organizational capacity in the features that underpin the transformation of potential into realized capacity. Predicting future capacity requirements, and focusing effort, are amongst antecedents that transform potential into realized capacity. Organizational capacity can therefore be understood as dynamic and recursive in the evolution from *potential* to *realized* (actual) capacity.

Third, organizational capacity appears to be related to performance trajectories, which were found to vary between lower-performing and higher-performing authorities. Low organizational capacity is related to poor organizational performance, and high capacity is related to better performance.

In sum, a tentative definition of organizational capacity is offered. *Organizational capacity is an organization's context-specific potential to*

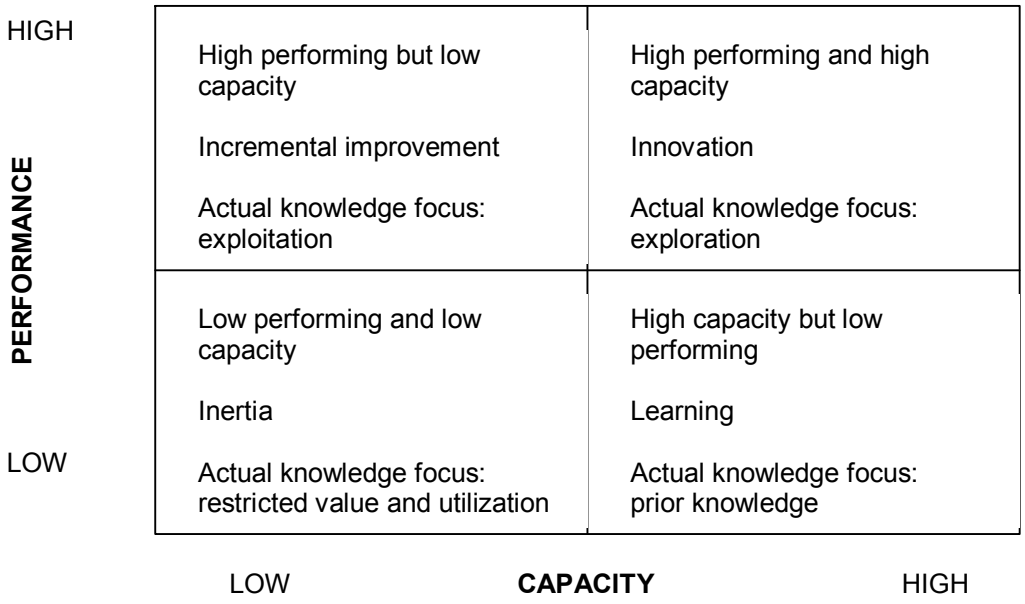
combine knowledge-related processes with internal norms, structures, culture and leadership, *to create productive outcomes.*

In the case of public organizations, the context includes policy and political change. Potential capacity is important for creating momentum (Bardach, 2008): it recombines internal components to create sufficient momentum for learning and innovation. Knowledge-related processes are: recognition and value of potential new knowledge through external knowledge exploration; transformation of knowledge through intra-and inter-organizational social relationships and flexible structures; exploitation of potential knowledge to create new knowledge and increase organizational capacity; evaluation of learning. Productive outcomes include learning, innovation and the creation of public value. Antecedents include flexible structures, collaborative relationships, predictions of future capacity requirements and capacity for planning, implementation and evaluation of change.

The relationships between organizational capacity, organizational knowledge and organizational performance are illustrated in Figures 7.3 and 7.4. The different configurations of capacity, performance and learning suggest that there are different performance trajectories depending upon the extent and combination of factors.

Figure 7.3 maps two dimensions: organizational performance and capacity. It contrasts organizations that first have higher or lower performance (as determined by their contextual goals and outcomes); and second have higher or lower capacity (dependent upon their stage of knowledge transformation, and realization of potential). Figure 7.4 incorporates my suggestions for intervention.

Figure 7.3 Actual organizational capacity, knowledge and performance



In the first (lower left) quadrant, an organization is low-performing and has low capacity. Its performance trajectory is limited because it places little value on learning, and internal culture and structure restrict knowledge utilization, but where there are external pressures for policy reform and expectations from residents and stakeholders then some change may occur. Improvement and increased capacity depend upon putting in place: organizational norms to

develop and align the internal culture of the organization towards learning; flexible internal and external networks; collaborative working; and strategies for knowledge acquisition.

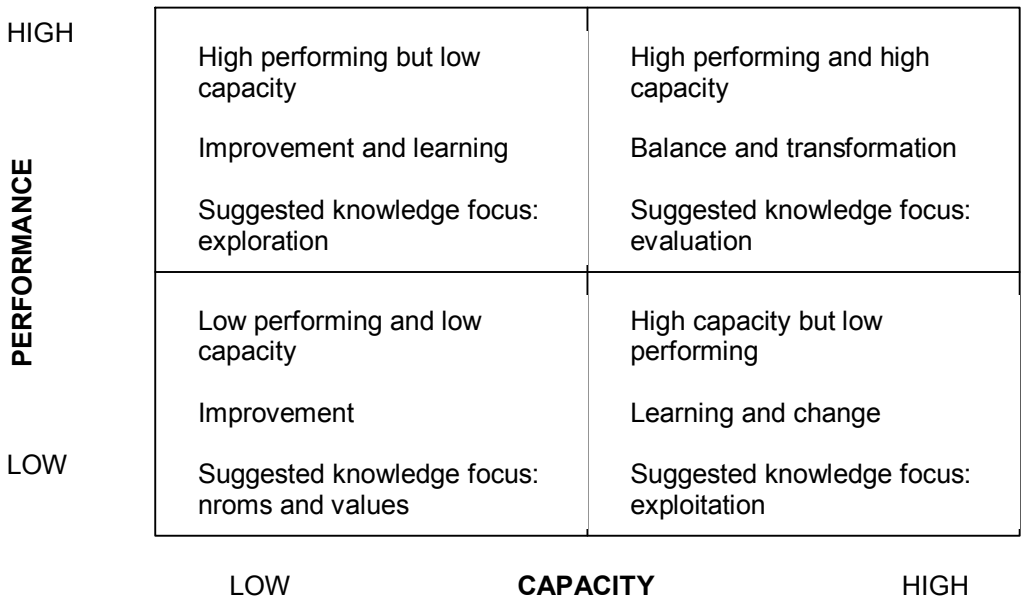
In the second (upper left) quadrant, an organization is high-performing but has low capacity. This organization is capable of incremental improvement. It may be undertaking what is called exploitative rather than exploratory learning (March, 1991). To increase its capacity it needs to focus on knowledge exploration from external sources, such as partners and stakeholders and knowledge co-creation across different departments and different roles. Flexible network structures within the organization and with external partners and stakeholders aid knowledge sharing and collaboration.

In the third (lower right) quadrant, the organization has high levels of organizational capacity but is low performing. It may be insular; lack skills in change management; be confused by too many different initiatives; have tensions between political and managerial leadership; or lack strategy in its use of knowledge. Its performance trajectory can be improved by greater use of its prior knowledge. To improve performance, it needs to focus on exploitation and spread of its organizational knowledge; share good ideas between departments and across the council; encourage participation in programmes of change; and build on past success. Its leadership needs to

focus on engaging participation in change, and processes of planning and implementing learning and change.

In the fourth (upper right) quadrant, the organization is high-performing and has high capacity. It has capacity for innovation because it has the ability to undertake creative changes of a substantial nature. To sustain its performance and capacity levels, the organization needs to focus its learning efforts on evaluation and learning from new initiatives; accurate targeting of knowledge requirements; maintaining a balance between knowledge exploration and exploitation; and transformation of potential into realized (actual) capacity. Figure 7.4 below summarises my suggestions for intervention.

Figure 7.4 Organizational capacity, knowledge and performance: interventions



Implications of the findings for defining organizational capacity building

To what extent do the research results suggest that capacity building has occurred and contribute to understanding of the concept? First, the examination of predictions of capacity and changes in capacity over two years provides empirical evidence that local authorities identified a need to increase their current performance and the performance needed for the future.

Second, the longitudinal surveys found that councils reported an actual increase in their capacity in approximately 70% of the capacity variables. In the remaining 14 items, there was either no change or a small but not significant increase in capacity.

Third, high-performing councils increased their perceived organizational capacity to a greater extent; and sustained a level of greater organizational capacity over two years, compared with lower-performing authorities.

The earlier discussion identified conceptual ambiguity in capacity building. Its application to public management theory is problematic because capacity building has a range of possible meanings (Harrow, 2001). Amongst difficulties in the operationalization of the concept, capacity building spans a range of multiple levels, with less emphasis on local organizations, such as local authorities (Ohiorhenuan and Wunker, 1995; Paul, 1995; Grindle, 1997; Grindle and Hilderbrand, 1995).

Changes in capacity depend upon the dynamic inter-relationships between individuals, organizations and the broader institutional contexts within which they operate (Grindle and Hilderbrand, 1995). The results reinforce an emphasis on shared perceptions, meanings, culture and work practices rather than individual skills, as explanatory factors of capacity and performance at the individual and organizational levels (Grindle and Hilderbrand, 1995).

The policy context of local government reform has neglected theories of organizational change and learning, tending to focus on short-term goals, rather than longer term capacity. Terms such as capacity building have become fashionable in public policy, where they have been applied ambiguously and rhetorically, posing problems of mixed messages (Lowndes, 2002) and over-simplification, leading to limited and mistaken understanding (Harrow, 2001). The concept has multiple meanings that would be better not extended. A focus on understanding what is meant by organizational capacity may be more useful in emphasizing the component elements of the concept; and a preferred emphasis on capacity strengthening would provide an organic, change-oriented alternative to the current architectural metaphor.

As an alternative to capacity *building*, this present study presents results which support those authors who place a preferred emphasis on capacity *strengthening* to reinforce existing structures and systems (Harrow, 2001) including leadership capacity and the capacity for planning, implementation

and evaluation of programmes of change; the *expansion* of capacity, (Tompkins, 2001), which focuses on collective learning to enhance organizational performance within a dynamic environment; and the distinction between *potential and realized* absorptive capacity (Van den Bosch et al, 2005; Zahra and George, 2002), which combines exploration with exploitation of knowledge (March, 1991).

CONCLUSIONS

In this chapter I have discussed the robustness of the methodology, and reviewed the predictability, reliability and validity of the research design to address the main aims of the research. I have explored the strengths, weaknesses and difficulties encountered in the conduct of this study. I have interpreted the research results to examine the definition and operationalization of the concept of organizational capacity. I have concluded that organizational capacity is recursive and related to organizational learning; and I provide a definition of organizational capacity. I suggest a preferred emphasis for organizational capacity expansion and strengthening in public policy contexts, in preference to capacity building. The wider implications of the research will be discussed in the final chapter.

CHAPTER EIGHT: CONCLUSIONS

INTRODUCTION

In this concluding chapter, I consider the contribution to knowledge and wider implications of this study on organizational knowledge and capacity in public organizations. I briefly summarize the purpose and the main findings of the research. Comments are offered on possible implications of the research for organizational theory, and for policy and practice. Taking into account the strengths and limitations of the study, I propose directions for further research. Finally I reflect on the doctoral research process.

CONTRIBUTION TO ORGANIZATION THEORY

The study deals with the need for a definition and operationalization of organizational capacity so as to address the limitations of previous theories, definitions and models of organizational capacity that are of relevance to all types of organization, not only public service organizations. It focuses on explanations of capacity that may be associated with first, better performing councils; and second, with organizational sharing of knowledge and service improvement. Capacity and capacity building are amongst important policy imperatives for public service reform.

This study makes nine main contributions to knowledge. The study adds theoretically and empirically to the limited literature that addresses organizational capacity in public service organizations.

First, the study developed the conceptual framework to strengthen theoretical constructs. The conceptual framework has been validated, both through factor analysis and through the results which have mainly come out in the expected direction. Factor analysis was used to test the conceptual model of organizational capacity and demonstrated that the basic structure of the key concept, organizational capacity, and its six sub-components in the conceptual model, are fairly consistent with the original conceptualization and were predicted from the model. The six components of organizational capacity are: Internal Alignment; Leadership; Structural Flexibility; Knowledge and Learning; Enabling Conditions; and Planning and Evaluation.

This explanation of organizational capacity is helpful because it both consolidates and breaks down the monolithic sense of capacity into six core components. The components address a range of organizational variables including structures and processes. The model addresses individual behaviours, and shows how collaboration can optimise the internal potential of an organization to be productive. It could be used in future research by other researchers who are interested in organizational and collaborative learning, and innovation, as well as capacity; and it contributes to understanding of

organizational capacity building, as distinct from capacity building in communities.

This approach to organizational capacity provides an alternative to the resource based view which is prevalent in some other more limited interpretations of capacity, which focus on the quantity of tangible factors, such as the number of employees or annual budget.

Second, the empirical measurement instrument designed to investigate factors that explain organizational capacity has a sufficient level of predictability, reliability and validity to have confidence in the research results, and so it can be used elsewhere.

Third, the study provides empirical evidence of the relationship between better-performing organizations and greater organizational capacity. Those organizations with greater perceived capacity for learning can draw on prior knowledge to increase their current capacity.

Fourth, the findings suggest that performance trajectories vary between lower-performing and better-performing organizations. Better-performing organizations report a more positive orientation towards future performance and greater leadership capacity for change than lower-performing organizations.

Fifth, this is the first study of organizational capacity over time. Analysis of two national surveys of English local authorities shows that there was a significant increase in perceived organizational capacity over two years. In contrast to non-Beacons, where expansion of capacity was more limited, Beacon councils reportedly: were more realistic and accurate in their predictions of future capacity; increased their capacity to a greater extent and in the majority of variables; and sustained greater organizational capacity over two years. This relationship cannot be explained as a causal link.

Sixth, this study addresses some of the gaps in research into absorptive capacity, and applies the concept to the public sector context, where it has been relatively neglected. This present study addresses some of the gaps in prior research studies on: the relationship between absorptive capacity and organizational learning; and between absorptive capacity and innovation (Lane et al, 2006); the effect of organizational structures and processes on how organizations explore and exploit their prior knowledge base; and the role of individuals in absorptive capacity (Lane et al, 2006).

The study argues for a definition and operational measures of absorptive capacity that are suitable for all sectors, not only private and commercial contexts. Previous definitions have maintained the conceptualization of absorptive capacity as a “firm level construct” (see Cohen and Levinthal, 1990; Van den Bosch et al, 2005; Lane et al, 2006), as in Cohen and

Levinthal's (1990: 128) definition: *"the ability of a firm to recognize the value of new, external information, assimilate it, and apply it to commercial ends."*

A definition of absorptive capacity suitable for all sectors would substitute "organization" for "firm" and "productive outcomes" for "commercial ends".

A proposed redefinition is: *the ability of an organization to recognize the value of new external knowledge, assimilate it and apply it to productive ends.*

There had been very little previous empirical evidence on potential and realized capacity, or attempts to integrate these concepts into conceptualizations of absorptive capacity (Lane et al, 2006). This study provides empirical evidence of prediction of capacity requirements, and focused effort, as preconditions to transform potential into realized capacity (Kim, 1998; Zahra and George, 2002; Van den Bosch et al, 2005). Organizational capacity is a broader concept which incorporates knowledge-related processes of absorptive capacity.

Seventh, the study provides insights into the multi-level nature of organizational capacity and places emphasis on the institutional context which is relevant not only to the public sector where the study is located but also more widely there is a need to see organizations as embedded in context. The conceptual framework makes a contribution by explicitly including

different levels and suggests their inter-relationship: individual, team, organizational and institutional.

Eighth, grounded in the research results, I develop a tentative definition of organizational capacity. The earlier review found that the term is ambiguous, lacking consensus on a definition and consisting of partial definitions that draw from a range of disciplines and perspectives. Definitions are needed that help to explain its relationship to organizational learning and organizational knowledge; and that are appropriate for public sector contexts.

Organizational capacity is an organization's context-specific potential to combine knowledge-related processes with internal norms, structures, culture and leadership, *to create productive outcomes.*

The definition has five main elements: 1) organizational context; 2) potential; 3) knowledge-related processes (exploration, transformation, exploitation and evaluation); 4) combination of knowledge with internal organizational components; and 5) productive outcomes.

The research draws attention to the recursive nature of the relationship between organizational capacity and organizational learning, and the importance of potential capacity for creating momentum (Bardach, 2008). The recursive relationship is explained as follows. Increased learning in the

organization enhances its knowledge and potential capacity for further learning. Potential capacity recombines internal components to create sufficient momentum for learning and innovation. It includes anticipation of future needs, analysis of past mistakes, focused effort, and goals and plans that drive expansion of knowledge (Kim, 1998). The expansion of knowledge transforms potential into realized capacity. Outcomes include enhancement of performance, experimentation, learning and innovation.

Ninth, the study finds that capacity building derives from different perspectives and is conceptually different from organizational capacity. I argue for a preferred emphasis on organizational capacity *strengthening* and *increasing*, so as to emphasise a distinction from *capacity building*, to address the ambiguity and rhetoric associated with the term's multiple meanings (Harrow, 2001) and to minimise scepticism in the public policy environment. This distinction would be useful not only in UK local government but also across public services and in international development.

IMPLICATIONS ACROSS ALL SECTORS FOR ORGANIZATION THEORY

The study draws attention to the importance of context for organizational research. There continues to be a private sector context in the focus on organizational learning and knowledge but many definitions emphasise that organizational knowledge is context-specific and therefore the context of public or private becomes relevant to the understanding of knowledge, and

capacity. The study argues for an eradication of the sector-blindness which plagues organization studies (Rousseau and Fried, 2001).

A contextualised perspective extends an institutional approach to an understanding of organizational knowledge sharing and capacity strengthening. In public organizations, the goals and drivers for organizational knowledge are not only competitive and commercial pressures: organizations exist to create public value, as well as profit.

The research results may be of interest to other scholars in organizational knowledge and learning. Few studies have analysed organizational knowledge processes in public organizations and there are implications of the similarities, as well as the differences between public and private organizations. The proposed redefinition of absorptive capacity highlights the wider applicability of the knowledge-related concept to all organizations.

The analysis in this study is unusual in that it is longitudinal. Reviews of organizational learning, knowledge, and capacity frequently call for but find few examples of longitudinal empirical studies. Few studies have analysed the processes of organizational learning and capacity over time and how changes in learning and capacity contribute to organizational performance. These results show the dynamic nature of knowledge and suggest that

organizational capacity is recursive: expansion of knowledge transforms potential into realized capacity.

Reviewers frequently cite the absence of measures to test dynamic knowledge-related processes, and the relationships between knowledge, capacity and performance (e.g. Easterby-Smith and Lyles, 2005; Lane et al, 2006; Easterby-Smith and Prieto, 2008). The survey instrument and measures developed and tested in this study may be of interest and could be adapted to a variety of organizational settings. The instrument can help to explain the inter-related structural, cultural, managerial and technical factors that affect the organizational capacity for exploration and exploitation of knowledge.

The research may be of particular interest to researchers of public and governmental organizations. The study contributes methodologically to research into public services, where quantitative methodologies and longitudinal studies have been relatively insufficient (Hartley et al, 2008). The results of this quantitative analysis provide insights into the processes and factors contributing to change in organizational capacity and organizational learning across all local authorities.

The philosophical stance taken in this study is interpretivist because it approaches organizational phenomena based upon an understanding of

organizations as socially constructed and institutionalised within specific socio-cultural and political contexts. During the course of the research study, I considered whether critical realism might have provided an alternative philosophical perspective because it "crosses paradigms", and incorporates some elements of interpretivism (Hatch, 2006). The decision to retain an interpretivist perspective is based upon the assumption that subjective knowledge is applied interactively throughout the research process: *"Knowledge is dependent upon the context and moment in which meaning is created"* (Hatch, 2006: 329).

The approach to the study has used some methods that are often assumed to be derived from positivism but I have argued that surveys can be used in interpretivist studies. I drew subjectively on contextual knowledge for the design of the research methods and for interpretation of the data, which is different from positivist analysis.

IMPLICATIONS FOR POLICY AND PRACTICE

The results of the study have implications for public policy and public organizations, some of which could be extended to organizations more generally.

Context

The study identifies that tensions in the institutional context of public organizations are likely to impact on organizational capacity and knowledge-sharing. Such tensions include conflicting models of change, which simultaneously emphasise compliance and local autonomy. Responses to factors in the institutional environment contribute to alternative explanations of differences in organizational performance in public organizations, and this emphasis on institutional influences may be of relevance to capacity in organizations generally.

The research found some context-specific features of organizational capacity in public organizations, which contrast with explanations of knowledge exploration in commercial and competitive contexts. Context-specific features include a high degree of: internal collaboration across internal hierarchical, structural and role boundaries; political-managerial relationships; self-management and teamwork; structural flexibility to acquire knowledge, and thus potential capacity. These context–specific features draw attention to the influence of context on some of the organizational processes of learning and capacity.

This research on organizational capacity and learning provides an understanding of the factors that contribute to self-improvement by public

organizations, in contrast to prescriptive and interventionist approaches to improvement, which are externally driven.

These findings may be of particular relevance to policy-makers, as it is likely that there will be a continuing emphasis on the performance and the improvement of performance of public service organizations (Hartley et al, 2008) nationally and internationally. There are indications that self-assessment of performance, self-directed change (Cabinet Office, 2006), organizational learning and capacity may become more important for public services in the UK (NAO, 2008).

Definitions

This study draws attention to the conceptual and operational difficulties that result from misinterpretation and oversimplification of the meaning of specific concepts. This conceptual confusion is of particular importance and relevance to public policy-makers, who adopt such concepts; and for public managers and practitioners, who attempt to give them practical expression.

Precision of meaning is often overlooked in policy documents, or is blurred for instrumental reasons, but is important. “Capacity building” is a nebulous term, misappropriated from its original macro-economic and community development associations, and confusingly applied to public management. The implication for policy makers is that the term is likely to create

misunderstanding and scepticism when applied to local government, where a national framework of capacity building programmes was developed to help councils to meet the challenges of reform (ODPM, 2003b). It would be better avoided or replaced with a different term that can be clearly and separately defined. Returning to the list of banned words (LGA, 2007) that the LGA recommended public bodies should avoid, I argue that rather than ban the use of ambiguously defined words, it would be better to use them properly.

By extension of the implications regarding the term capacity building, policy makers need to define key terms, and to explain how the definition can be operationalized. Objective definitions are essential for the design and implementation of policies, and for the evaluation of their success and failure.

Performance

The study extends research into the relationship between organizational capacity, learning and performance. The relationships between organizational capacity, organizational knowledge and organizational performance are illustrated in Figure 7.3, in Chapter 7.

The potential component of organizational capacity provides an alternative explanation to the resource-based view of learning, change and improvement. The resource-based view overlaps with the knowledge-based approach to organizational learning and change but criticisms identify: its relatively static

nature that restricts explanations of change over time; the vague nature of "routines"; failure to explain the mechanisms by which routines reconfigure resources and create sustained improvement; and limited generalizability (Easterby-Smith and Prieto, 2008: 236). Potential capacity can help to explain how some public organizations are able to maintain ongoing delivery of services and at the same time, manage change, create knowledge and innovate. Components of capacity can be understood to be dynamic as they are antecedents of the next stage of learning and they expand, so that the organization is better able to meet its specific future needs.

The recursive nature of organizational capacity means that sequencing of improvement and learning are important because they contribute to sustained momentum (Bardach, 2008). Evaluation and continuous learning from experimentation are important in order to build on past success. For example, failure to learn from past mistakes may undermine short-term gains.

Performance can be analysed in the public sector through a range of measures, such as CPA scores, that are publicly available. In this sense, performance is comparable across the field in a way which is often harder for private sector organizations to measure.

Performance trajectories vary between lower performing and higher performing authorities[3]. Higher-performing councils tend to develop more systematic organizational learning, and appear to be more effective at combining predicted knowledge requirements with focused effort for learning and prior knowledge.

An authority's performance trajectory may be limited because it places little value on learning; it is insular; it lacks strategies for knowledge acquisition; it lacks skills in change management and analysis; fails to make use of available knowledge; or lacks evaluation of its strengths, weaknesses and learning.

Beacon councils report greater capacity for the whole planning cycle of organizational change and innovation, including evaluation and learning from new initiatives. These appear to be amongst critical attributes for local authorities' programmes of modernization, change and improvement (Sanderson, 2001). This therefore is a very important finding from the research. Local councils need to develop their diagnostic and evaluation skills, so as to better predict their future knowledge requirements and to tailor programmes of organizational development appropriate to their organizational learning needs and performance trajectory. Evaluation needs to include

[3] Some high performing local authorities are in the lower performance category because they did not apply for Beacon status and therefore the results would be more stark, if the categories were clearer.

reflection on past successes and mistakes, in order to develop a learning orientation.

Medium term focus for capacity programmes

I argue that the expansion of organizational capacity in public services needs to be associated with medium and long-term goals, in contrast to short-term measures because of the sequencing and cumulative effect of knowledge. This study's findings suggest that the use of capacity building funding in the future could be focused on leadership of organizational learning and management of change. The increasing public policy emphasis on inter-agency partnerships and localities suggests that centrally funded programmes need to focus on increasing capacity through inter-organizational knowledge-sharing between local partners, to produce specific public value outcomes.

The implication for the Beacon Scheme is that the relationship between organizational learning and organizational capacity could be more explicitly articulated as evolutionary over time. The Scheme could encourage the establishment of medium to long-term learning networks between local partner organizations, focused on specific themes of policy priority, and locally determined goals. The model of learning that underpins the Beacon Scheme would be enhanced by the inclusion of planning, review and evaluation of learning processes and outcomes.

RECOMMENDATIONS FOR FURTHER RESEARCH

Organizational capacity for the future will depend upon organizational learning in response to changing external social and technological conditions, as well as policy for reform. Further research is needed to investigate how organizational capacity and learning in organizations can be strengthened in all types of organization, not only public service organizations, in a changing global environment as well as public policy context.

Fruitful areas for further empirical research may include unanswered questions concerning the recursive nature of organizational capacity, and the concept of organizational potential. Qualitative as well as quantitative methods would be useful to investigate the development of successive knowledge and capacity platforms. Longer-term studies are required to investigate the contexts, barriers and enablers to expansion of capacity, and the extent to which better short-term performance and greater capacity are predictors of long-term sustained improvement in organizational performance.

I suggest further research into the relationship between absorptive capacity and organizational capacity in different contexts, including inter-organizational partnerships and networks, which are of increasing importance for public services.

The quantitative measures need to be tested in different settings. Further testing of the measures would confirm whether modifications are required for different contexts. Future empirical studies of organizational capacity in different contexts would extend the validation of the instrument and measures.

There is a need to develop and empirically test the concept of capacity strengthening in public services, as an alternative to capacity building.

This research has found that phased increases occur in organizational capacity, and that components of capacity serve two developmental purposes: advancement of current performance; and a platform of use for future learning momentum. Learning phases advance between organizational knowledge acquisition (potential capacity), adaptation (transformation), and exploitation (realized capacity).

Further empirical research could help to explain a number of features of this model of phased organizational learning, and extend prior study by Kim (1998) across all sectors. First, the extent to which organizations must deliberately identify and plan sequential stages of prior knowledge, each of which provide a platform for the next stage, or whether phased learning can be emergent and adaptive. Second, I suggest further research into the particular antecedents and processes that transform potential into realized capacity and that create momentum for a more advanced platform Third,

research on the influence of institutional and environmental factors on the sequencing and evolution of knowledge platforms and on encouragement or restriction of momentum. Fourth, I suggest research on the relationship between phased learning and absorptive capacity.

REFLECTIONS ON THE DOCTORAL RESEARCH PROCESS

The research process has helped me to develop a wider body of academic knowledge with which to describe, explain and analyse my field of interest. Over the course of this study, I have shifted from a practitioner knowledge base to one more informed by theory. My perception of this shift has helped me to distinguish, value and critically apply each knowledge source more fully. My understanding of the local government context is complementary to but separate from constructs and concepts that exist in the theoretical literature.

Having had a previous disciplinary background in public organizations allows me to have a rich appreciation of the context and sharing of a common culture with research participants. I see them not as research objects but as actors whose organizational lives I can visualize and so I can bring an understanding of their context to give meaning to their activities. I have come to appreciate professional knowledge of the natural context in a different way: as an opportunity to ascribe meaning and assess alternative explanations interactively with the research data.

The greatest personal challenge in the process of the doctoral study relates to the methodology. Initially I had not expected to conduct a study that relied almost exclusively on statistical analysis. Having a preference towards qualitative research and limited previous training on statistical methods, my attitude was cautious.

Motivating factors included a strong desire to expand my knowledge and experience as a researcher of qualitative methods, into less familiar, quantitative methods. My curiosity was aroused by surprise at the limited extent of empirical work to back up theoretical claims in the literature on organizational knowledge and capacity, and the lack of contextual knowledge about empirical situations. These factors convinced me that it would be important to combine quantitative analysis with contextual knowledge.

It was a struggle to acquire knowledge to use statistical techniques, and learn how to interpret their results. I was helped by the awareness that it was possible to gain insight into underlying principles and concepts of statistical analysis, and the mechanisms of statistical techniques, which compensated for a more limited appreciation of their mathematical equations.

In retrospect, it is satisfying to have increased my knowledge and skills in statistical analysis, which is important for organizational research and complements my experience in qualitative methods. It will enable me to be a

stronger researcher in the future and to choose the method according to the research question. This experience confirms that the qualitative/quantitative divide is in some ways false and unhelpful (Moses and Knutsen, 2007).

The research process has increased my awareness of an ethical approach to research. I endeavour to treat with respect and to pay attention to the needs of the research participants and I have acquired greater neutrality about government policy and policy-makers, resulting in a strong desire to provide an evidence base to inform future policy making.

By contrast, I am not neutral about the domination of organizational theory by private firms and economic, commercial and competitive explanations. I take an evidence-based political stance, questioning the private sector as the dominant model in organizational theory that is not always appropriate for public organizations. This stance has deepened as a result of investigating the academic literature on organizational learning, change and performance. I acknowledge this bias towards seeking greater emphasis on studies in public organizational contexts and greater mutual learning across sectors, so that insights can be shared amongst scholars.

I would like to encourage organizational researchers to extend their interest beyond private firms, where most studies of organizational knowledge and learning have focused, and to consider that public organizations can provide

an interesting and important context in which to study the goals, processes and outcomes of organizational learning. Public and private organizations are less dissimilar than is often assumed and there is considerable scope for knowledge transfer between scholars to become more symmetrical between research on public and private organizations.

CONCLUSIONS AND CONTRIBUTION TO KNOWLEDGE

The aims of this research were first, to address the limitations of theories, definitions and models of organizational capacity, to define the concept of organizational capacity, and to construct an empirical measurement tool.

A second aim was to address the lack of empirical evidence that supports the suggestion of relationships between organizational capacity, organizational learning and organizational performance.

Third, it aimed to draw attention to the importance of context to understand organizations and organizational behaviour.

Fourth, it pointed to the under-representation of public organizations in organizational research.

This study considers two areas that were relatively new in organizational research: organizational capacity; and organizational capacity building. It adds

theoretically and empirically to the limited literature that addresses organizational capacity in public organizations. It has succeeded in developing a definition of organizational capacity that helps to explain its relationship to organizational learning and organizational knowledge.

The research provides empirical evidence of the relationship between better-performing public organizations and greater organizational capacity. Those organizations with greater capacity for learning can draw on prior knowledge to increase their current capacity. Capacity contributes to explanations of the relationship between an organization's particular environment, and utilization of its internal potential, including organizational knowledge, for future performance and productive outcomes.

This study addresses some of the gaps in research into absorptive capacity, and applies the concept to the public sector context, where it had been relatively neglected. The study argues for a redefinition and operational measures of absorptive capacity that are suitable for all sectors, not only private and commercial contexts. Organizational capacity is a broader concept, which incorporates knowledge-related processes of absorptive capacity.

This research draws attention to the recursive nature of the relationship between organizational capacity and organizational learning, and has found

that phased learning occurs. Learning phases advance between organizational knowledge acquisition (potential capacity), adaptation (transformation), and exploitation (realized capacity).

In future, approaches to improving performance may give greater attention to the developmental purposes of organizational capacity, which are the advancement of current performance; and a platform of use for future learning momentum. The empirical results show the dynamic nature of knowledge and suggest that organizational capacity is recursive: expansion of knowledge transforms potential into realized capacity. Those organizations with greater capacity for learning can draw on prior knowledge and increase their capacity to develop successive knowledge platforms.

The study argues that terms such as capacity building that have become fashionable in public policy, where they have been applied ambiguously and rhetorically, leading to limited and mistaken understanding, would be better not extended, but rather replaced by concepts that have clear definitions, and that are suitable for all organizational contexts.

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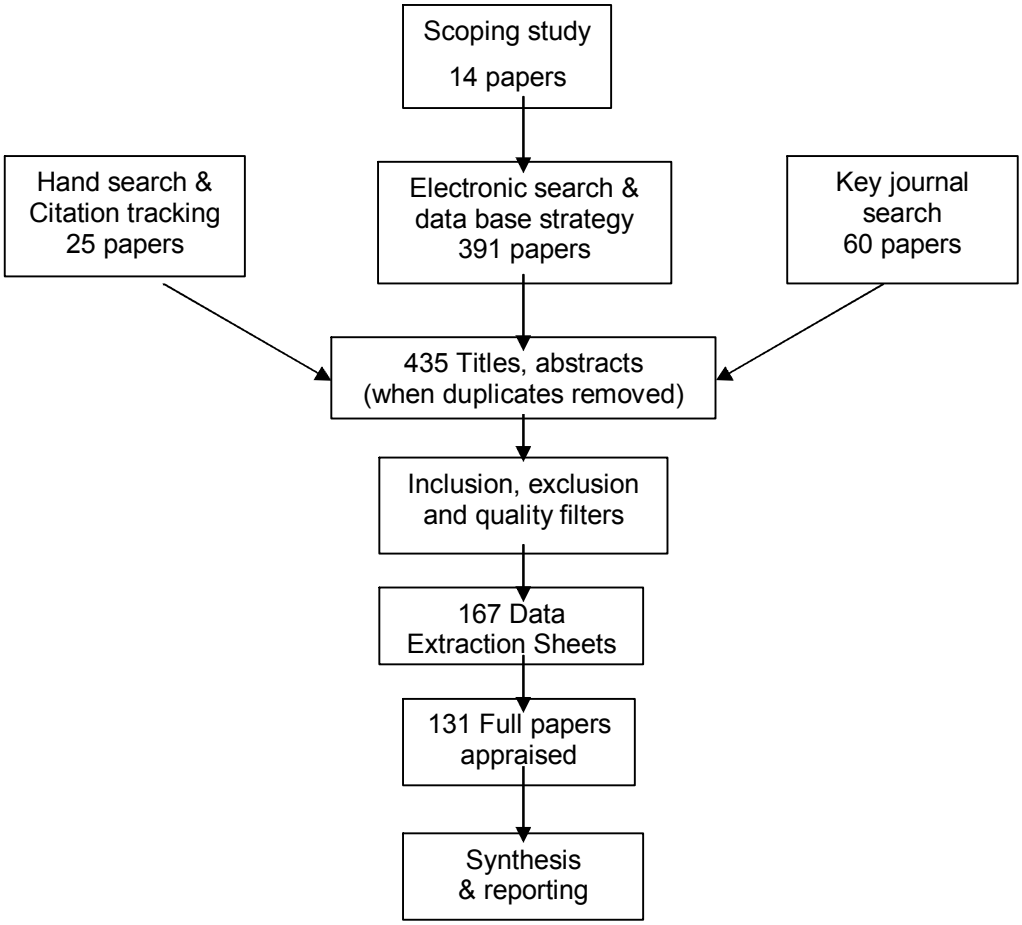
Appendix 1: Systematic review methodology: Organizational learning, knowledge and capacity.
Source: Rashman et al (2006)

Defining the review on organizational learning, knowledge and capacity
The search strategy was designed to focus on implications for public service organizations in general. It aimed to include a range of public organizations, rather than to focus on one or more specific public services. The articles and books were selected through a detailed procedure of first of all, examining a major database of social science abstracts, then selecting relevant abstracts and cataloguing key data about selected papers using data extraction sheets. The approach taken to the systematic review on organizational learning, knowledge and capacity is summarized in Figure 1.

Figure Appendix 1.1 Summary of systematic review process



The search strategy aimed, as far as possible, to eliminate bias and be widespread. The development of the search strategy for the systematic review was an iterative process. The initial planning phase was concerned with defining and exploring the main areas of investigation and choosing the literature for synthesis. An initial scoping study defined the review objectives, identified the strategy for mapping the literature, and began to identify the criteria for inclusion and exclusion of studies in the review. At this stage, and in common with other systematic reviews focused on

public services (e.g. Greenhalgh et al, 2004), evidence meeting inclusion criteria for studies from public service organizations was sparse. The review was extended to include a wider range of literature from all sectors, including overview and 'landmark' papers where there were important implications for the research questions.

A key tool in the search process was the database search. Based upon the initial investigation, the search period was limited to 1990 to 2005, with exceptions for notable texts that pre-date 1990. 1990 to 2005 was selected because the explosion of interest in recent years has resulted in the majority of relevant literature on organizational learning, knowledge and capacity being written during this period. Some additional literature post-2005 is noted and used but this is on an ad hoc basis.

The database used was Web of Science, consistent with other reviews in the public management field (e.g. Hartley, 2006a and b; Boyne, 2003) and which was found to have the greatest coverage of the field. The search covered peer-reviewed articles written in English, published in the period 1990 to 2005. In addition to the database searching, searches were conducted across 17 key management, public management and organizational learning journals, over the same time period, including Academy of Management Journal, Public Administration and Administrative Science Quarterly. The search terms applied across the key journals were: "organi?ation* learning"; "organi?ation* knowledge"; "inter organi?ation* learning"; "knowledge management"; "knowledge transfer" and "capacity". Citations were tracked from the initial fourteen sources used in the scoping stage to gather further references.

The search criteria were developed according to the criteria for the study and were concerned with: organizational learning; organizational knowledge; knowledge-transfer/ knowledge-share; inter-organizational learning; organizational capacity/ capacity-building. The search process sought to exclude: learning addressed at an individual, cognitive level only; prescriptive papers providing unsubstantiated and/ or normative advice on how to become a learning organization; and individual professional disciplines (e.g. medical).

Database searches, plus key journal searches and citation tracking resulted in 435 initial references. Standards for inclusion were set and three researchers independently assessed and then cross-referenced opinions on the papers, based upon abstracts. These standards included a requirement for the theory and empirical data to be clear, therefore purely descriptive papers were rejected. For papers to be included they had to cover organizational learning or inter-organizational learning, not exclusively learning at the level of the individual. After this stage, papers were then read in full if all three researchers were satisfied they fulfilled basic criteria of relevance and quality on the basis of the abstract. 167 papers were selected to be read in full.

Data extraction sheets were designed as a template for the reading of papers and application of assessment criteria. They include details of the publication, aim of the research, research design, definitions of key terms, key themes derived from the research aims and questions and results and conclusions. The data extraction sheets aided reading, analysis and synthesis and also provided an additional quality control stage. Following the data extraction process, 131 papers were included in the systematic review.

The limited availability of research on learning, knowledge and capacity in the public sector forced the researchers to analyse a substantial part of the private sector literature to examine its implications for theorising and application to the public sector.

The descriptive analysis included analysis by sector, region of study, year of publication and whether the study was empirical or theoretical. The review was based on detailed analysis of 131 articles and certain books published in the period 1990 to 2005. The majority of the theory and literature on organizational learning, organizational knowledge and capacity is located within the private sector and tends to be dominated by North American authors. In terms of the 131 papers included in the systematic review, just over 22% (n=29) are related only to the public sector, compared to over 46% (n=61) related to the private sector only (the remainder are either both, do not specify or are related to the third sector).

29% of the papers are based upon Canadian and North American studies (both empirical and conceptual), whilst approximately 24% are based upon studies from the United Kingdom (both empirical and conceptual). Of the 131 papers in the review, approximately 60% are empirical and 40% theoretical. Approximately 65% of the empirical research explores private organizations.

The iterative process permitted redefinition of review strategy and criteria, and the use of data extraction sheets to analyse full papers increased consistency and transparency in the stages of selection, appraisal and synthesis. Limitations include judgment regarding relevance assessment and a necessarily interpretative element in the thematic analysis. The sparseness of literature focused on public organizations necessitated widening the scope of the studies under review to highlight areas of general concern and relevance.

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Appendix 2: Capacity Building Survey Questionnaire 2004

SECTION 5 – PROCESSES OF CAPACITY BUILDING

We are interested to know about your authority's approach to learning and the extent of organisational capacity to make improvement.

Please indicate your perception of the extent of your authority's performance in the following areas. We would also like to know what you expect to be the extent in two years from now.

Please circle one number on each line for current capacity and one number on each line for what you expect the capacity to be in two years time.

25a CAP A	**Current**					**In two years**				
	Limited		moderate		extensive	Limited		moderate		extensive
Elected members, managers and staff genuinely value learning	1	2	3	4	5	1	2	3	4	5
In this council, we are keen to be innovators, as well as making improvement	1	2	3	4	5	1	2	3	4	5
Staff regularly contribute ideas for service improvement	1	2	3	4	5	1	2	3	4	5
Staff feel proud of council achievements and good practice	1	2	3	4	5	1	2	3	4	5
Managers and staff share ideas and good practice across the council	1	2	3	4	5	1	2	3	4	5
Managers and staff are keen to learn new ways of doing things	1	2	3	4	5	1	2	3	4	5
It's easy to try out new ideas in my service	1	2	3	4	5	1	2	3	4	5

25b CAP B	**Current**					**In two years**				
	Limited		moderate		extensive	Limited		moderate		extensive
Elected members and managers talk positively about our aims and ambitions	1	2	3	4	5	1	2	3	4	5
Managers don't just talk about improvement, they do it	1	2	3	4	5	1	2	3	4	5
Elected members and managers are willing to take risks and learn from mistakes	1	2	3	4	5	1	2	3	4	5
Managers constructively challenge barriers to good practice	1	2	3	4	5	1	2	3	4	5
Staff understand the part they play in council aims for change and improvement	1	2	3	4	5	1	2	3	4	5
Change champions really make a difference to improving services	1	2	3	4	5	1	2	3	4	5
Managers encourage sharing of ideas and information with other councils and agencies	1	2	3	4	5	1	2	3	4	5
Everyone in the council is involved in a programme of cultural change	1	2	3	4	5	1	2	3	4	5

25c CAP C	**Current**					**In two years**				
	Limited		moderate		extensive	Limited		moderate		extensive
Staff can easily work with colleagues across internal boundaries	1	2	3	4	5	1	2	3	4	5
We are trying out new forms of service design that do not depend on retaining services in-house	1	2	3	4	5	1	2	3	4	5
Members and managers tend to make important decisions with partners	1	2	3	4	5	1	2	3	4	5
We get new ideas for service improvement from joint working with other agencies	1	2	3	4	5	1	2	3	4	5
The council listens to its users, customers and stakeholders	1	2	3	4	5	1	2	3	4	5
Elected members, managers and staff are able to work collaboratively	1	2	3	4	5	1	2	3	4	5

25d CAP D	Current					In two years				
	Limited		moderate		extensive	Limited		moderate		extensive
Managers and staff know how to identify gaps for learning and improvement	1	2	3	4	5	1	2	3	4	5
Elected members, managers and staff regularly take part in learning networks with other agencies	1	2	3	4	5	1	2	3	4	5
Managers and staff regularly seek out ideas for service improvement	1	2	3	4	5	1	2	3	4	5
We encourage bringing in new ideas from outside the organisation	1	2	3	4	5	1	2	3	4	5
Managers and HR officers understand how to support complex learning needs	1	2	3	4	5	1	2	3	4	5
Managers and staff use performance data in their everyday work	1	2	3	4	5	1	2	3	4	5
Links with national agencies are a source of ideas and improvement	1	2	3	4	5	1	2	3	4	5
Staff can easily access the information they need to do their job effectively	1	2	3	4	5	1	2	3	4	5

25e CAP E	**Current**					**In two years**				
	Limited		moderate		extensive	Limited		moderate		extensive
On a day to day basis, staff manage their own area of work effectively	1	2	3	4	5	1	2	3	4	5
Staff are involved in making important decisions and plans	1	2	3	4	5	1	2	3	4	5
We prefer to share information face to face as much as possible	1	2	3	4	5	1	2	3	4	5
Members and managers encourage diverse opinions	1	2	3	4	5	1	2	3	4	5
Managers and staff learn through a wide variety of opportunities inside and outside the council	1	2	3	4	5	1	2	3	4	5
We can rely on team members for maintaining high standards of work	1	2	3	4	5	1	2	3	4	5
Managers understand how to involve staff in making change										

25f CAP F	Current					In two years				
	Limited		moderate		extensive	Limited		moderate		extensive
We plan what we need to know	1	2	3	4	5	1	2	3	4	5
Staff and managers prepare before taking part in learning activities	1	2	3	4	5	1	2	3	4	5
When we have a good idea, we test it out and evaluate its effect	1	2	3	4	5	1	2	3	4	5
The council's performance management system helps individuals to improve	1	2	3	4	5	1	2	3	4	5
Managers know how to plan and implement change	1	2	3	4	5	1	2	3	4	5
Managers and staff can easily integrate innovative ideas into mainstream services	1	2	3	4	5	1	2	3	4	5
The council builds on past success	1	2	3	4	5	1	2	3	4	5
We are good at delivering better services without needing more resources	1	2	3	4	5	1	2	3	4	5
There are good opportunities to put learning into practice	1	2	3	4	5	1	2	3	4	5
We evaluate and learn from new initiatives	1	2	3	4	5	1	2	3	4	5

Appendix 3: Capacity Building Survey Questionnaire 2006

National Survey of the Beacon Scheme 2006
Experiences and impacts

Questionnaire for Chief Executives / Policy Members

Evaluating the Beacon Scheme

The Office of the Deputy Prime Minister and the Improvement and Development Agency have commissioned the Local Government Centre at Warwick Business School to undertake an evaluation of the Beacon Scheme.

You may have been among the many authorities which participated in the first National Beacon survey in 2004. The research team at Warwick wants to build on earlier research about what is working well and what is not, so that Central Government can improve the Beacons policies and procedures and so that local authorities can make the best use of the Scheme.

Aim of the research

The aims of the research are to evaluate the impact and effectiveness of the Scheme for local authorities (whether as Beacons or as attendees of learning events). We are interested in your views whether or not your authority participates in the Scheme.

This is your chance to influence future policies about Beacons and to make suggestions for improvement. Our previous research has played an important role in policy review and continues to influence the development of the Scheme.

The Beacon Council Scheme is designed to build capacity in local government and the research also aims to identify how authorities can develop their capacity to improve. We hope that the research outcomes will be relevant and of practical assistance to local authorities.

How you can help

As part of this work, we are conducting a second biennial national survey of all English local authorities, which explores changes over time in policy-making, policies and practices as a result of participation in the Scheme. We hope that you will find this questionnaire interesting and thought-provoking.

This particular version of the questionnaire is intended to be completed by Chief Executives or Heads of Policy.

Confidentiality

Please be as accurate and open as possible. Your responses will be treated in complete confidence and will not be seen by anyone outside the research team at Warwick University. They will not be used for any other purpose, such as the selection of Beacon applications. We will produce a report with overall findings and recommendations for improvements to the Scheme for the ODPM and the IDeA. No comments will be attributed to individuals or to individual authorities - rather we will draw out the key issues and themes across all participating authorities.

We have commissioned an independent market research agency, IFF Research Ltd. to assist with this stage of the programme. They will have sent this questionnaire to your authority. Six copies of the questionnaire will be circulating within your authority.

We are hoping that all questionnaires will be completed **by Wednesday 12th April.** Please return your completed questionnaire in the reply-paid envelope enclosed to:

IFF Research Ltd.
Chart House
16 Chart Street
London N1 6DD

THANK YOU IN ADVANCE FOR YOUR TIME AND EFFORT IN HELPING US WITH THIS IMPORTANT PROJECT

Lyndsay Rashman
Research Manager

Professor Jean Hartley
Research Director

SECTION 6 – PROCESSES OF CAPACITY BUILDING

15. We are interested to know about your authority's approach to learning and the extent of organisational capacity to make improvement.

Please indicate your perception of the extent of your authority's performance in the following areas.

Please circle one number on each line

CAP A	Limited		moderate		extensive
Elected members, managers and staff genuinely value learning	1	2	3	4	5
In this council, we are keen to be innovators, as well as making improvement	1	2	3	4	5
Staff regularly contribute ideas for service improvement	1	2	3	4	5
Staff feel proud of council achievements and good practice	1	2	3	4	5
Managers and staff share ideas and good practice across the council	1	2	3	4	5
Managers and staff are keen to learn new ways of doing things	1	2	3	4	5
It's easy to try out new ideas in my service	1	2	3	4	5

CAP B	Limited		moderate		extensive
Elected members and managers talk positively about our aims and ambitions	1	2	3	4	5
Managers don't just talk about improvement, they do it	1	2	3	4	5
Elected members and managers are willing to take risks and learn from mistakes	1	2	3	4	5
Managers constructively challenge barriers to good practice	1	2	3	4	5
Staff understand the part they play in council aims for change and improvement	1	2	3	4	5
Change champions really make a difference to improving services	1	2	3	4	5
Managers encourage sharing of ideas and information with other councils and agencies	1	2	3	4	5
Everyone in the council is involved in a programme of cultural change	1	2	3	4	5

CAP C	Limited		moderate		extensive
Staff can easily work with colleagues across internal boundaries	1	2	3	4	5
We are trying out new forms of service design that do not depend on retaining services in-house	1	2	3	4	5
Members and managers tend to make important decisions with partners	1	2	3	4	5
We get new ideas for service improvement from joint working with other agencies	1	2	3	4	5
The council listens to its users, customers and stakeholders	1	2	3	4	5
Elected members, managers and staff are able to work collaboratively	1	2	3	4	5

CAP D	Limited		moderate		extensive
Managers and staff know how to identify gaps for learning and improvement	1	2	3	4	5
Elected members, managers and staff regularly take part in learning networks with other agencies	1	2	3	4	5
Managers and staff regularly seek out ideas for service improvement	1	2	3	4	5
We encourage bringing in new ideas from outside the organization	1	2	3	4	5
Managers and HR officers understand how to support complex learning needs	1	2	3	4	5
Managers and staff use performance data in their everyday work	1	2	3	4	5
Links with national agencies are a source of ideas and improvement	1	2	3	4	5
Staff can easily access the information they need to do their job effectively	1	2	3	4	5

CAP E	Limited		moderate		extensive
On a day to day basis, staff manage their own area of work effectively	1	2	3	4	5
Staff are involved in making important decisions and plans	1	2	3	4	5
We prefer to share information face to face as much as possible	1	2	3	4	5
Members and managers encourage diverse opinions	1	2	3	4	5
Managers and staff learn through a wide variety of opportunities inside and outside the council	1	2	3	4	5
We can rely on team members for maintaining high standards of work	1	2	3	4	5
Managers understand how to involve staff in making change	1	2	3	4	5

CAP F	Limited		moderate		extensive
We plan what we need to know	1	2	3	4	5
Staff and managers prepare before taking part in learning activities	1	2	3	4	5
When we have a good idea, we test it out and evaluate its effect	1	2	3	4	5
The council's performance management system helps individuals to improve	1	2	3	4	5
Managers know how to plan and implement change	1	2	3	4	5
Managers and staff can easily integrate innovative ideas into mainstream services	1	2	3	4	5
The council builds on past success	1	2	3	4	5
We are good at delivering better services without needing more resources	1	2	3	4	5
There are good opportunities to put learning into practice	1	2	3	4	5
We evaluate and learn from new initiatives	1	2	3	4	5

Appendix 4: Cover letter accompanying national survey 2004

The Local Government Centre
Warwick Business School
The University of Warwick
Coventry CV4 7AL

Tel.: 024 7657 4143
Fax: 024 7657 2545

10th March 2004

Dear (TITLE) (SURNAME),

Evaluation of the Beacon Council Scheme

We are writing to ask for your help in a major project that the Local Government Centre at Warwick Business School are conducting on behalf of the Office of the Deputy Prime Minister and the Improvement and Development Agency to evaluate the Beacon Council scheme. We have asked IFF Research to conduct the survey for the Local Government Centre.

As part of the project, we will be conducting a national survey once every two years of all English local authorities, which will explore changes over time in policy-making, policies and practices as a result of participation in the Scheme.

The aims of the research are to evaluate the impact and effectiveness of the Scheme for local authorities (whether as Beacons or as attendees of learning events), so this questionnaire is relevant for all local authorities, whether or not they participate in the Scheme.

This is your chance to influence future policies about Beacons and to make suggestions for improvement.

We need your help with this survey. We are seeking a range of responses and have selected four thematic areas for the research. We have sent you six copies of the questionnaire and would be grateful if you would distribute them as follows:

- 1 questionnaire to be filled in by yourself or another senior strategic officer (such as a Head of Policy)
- 1 questionnaire to be filled in by a *senior* elected member
- 4 questionnaires to be filled in by heads of service with responsibility relevant to one of the following areas (which are in selected Year 5 Beacon themes)
- **Benefit Administration**
- **Better Local Public Transport**
- **Crime and Disorder Partnerships**
- **Early Years and Childcare: the Sure Start Agenda**

The questionnaire should only take about 30 minutes to complete and we hope you will find it interesting and thought-provoking. We are hoping that all questionnaires will be completed by Easter, but we can accept completed questionnaires beyond this date should it prove difficult for you or your colleagues to find the time to respond by then.

We have included reply-paid postage labels – the questionnaires can either be posted back individually or you could collate them and return them as a single authority response. There is also an online version of the survey that can be completed by logging on to www.beaconcouncilsurvey.com.

We have provided a form overleaf so you can keep track of where the surveys are internally. It would also be useful for us to be able to monitor who is filling in each questionnaire and so we would be grateful if you could either e-mail us this information (ArwennaD@IFFResearch.com) or fax / send this sheet back to IFF whose fax is 020 7490 2490 and whose address is Chart House, 16 Chart Street, London, N1 6DD.

We would greatly appreciate it if you could return your completed questionnaires **by Friday 26th March**. However, if this is not possible, we can accept completed questionnaires after this date.

Thank you in advance for any help that you are able to give us with this important project.

Yours sincerely

Lyndsay Rashman
Research Manager

Professor Jean Hartley
Research Director

Appendix 5: Cover letter accompanying national survey 2006

The Local Government Centre
Warwick Business School
The University of Warwick
Coventry CV4 7AL

Tel.: 024 7657 4143
Fax: 024 7657 2545

17th March 2006

Dear (TITLE) (SURNAME),

Evaluation of the Beacon Scheme 2006

We are writing to ask for your help in a major project that the Local Government Centre at Warwick Business School is conducting. We hope that you will find this interesting and thought-provoking.

We are conducting the second national biennial survey of all English local authorities. This is being undertaken as independent research, commissioned by the Office of the Deputy Prime Minister and the Improvement and Development Agency as part of the wider and long-term evaluation of the Beacon Scheme.

This survey examines changes over time in policy-making, policies and practices as a result of in the Scheme. You may have been among the many authorities which participated in the first National Beacon survey in 2004.The current research explores your views about the impact and effectiveness of the Scheme for local authorities (whether as Beacons or as attendees of learning events), so this questionnaire is relevant for all local authorities, whether or not they participate in the Scheme. We have asked IFF Research to distribute the survey for the Local Government Centre.

This is your chance to influence future policies about Beacons and to make suggestions for improvement. Our previous research has played an important role in policy review nationally and continues to influence the development of the Scheme.

We need your help with this survey. We are seeking a range of responses and have selected four thematic areas for the research. We have sent you six copies of the questionnaire and would be grateful if you would distribute them as follows:

- 1 questionnaire to be filled in by yourself or another senior strategic officer (such as a Head of Policy)
- 1 questionnaire to be filled in by a *senior* elected member
- 4 questionnaires to be filled in by heads of service with responsibility relevant to one of the following areas (which are in selected Year 5 Beacon themes)
- **Benefit Administration**
- **Better Local Public Transport**
- **Crime and Disorder Partnerships**
- **Early Years and Childcare: the Sure Start Agenda**

The confidential questionnaire should only take about 30 minutes to complete and we hope you will find it interesting and thought-provoking.

We have included reply-paid postage labels – the questionnaires can either be posted back individually or you could collate them and return them as a single authority response.

We have provided a form overleaf so you can keep track of where the surveys are internally. It would also be useful for us to be able to monitor who is filling in each questionnaire and so we would be grateful if you could either e-mail us this information (ArwennaD@IFFResearch.com) or fax / send this sheet back to IFF whose fax is 020 7490 2490 and whose address is Chart House, 16 Chart Street, London, N1 6DD.

We have a tight timetable due to the imminent local elections and would greatly appreciate it if you could return your six completed questionnaires **by Wednesday 12th April**. However, we can accept completed questionnaires after this date should it prove difficult for you or your colleagues to find the time to respond by then.

Thank you in advance for your help in this important project.

Yours sincerely

Lyndsay Rashman
Research Manager

Professor Jean Hartley
Research Director

Appendix 6: Statistical Analyses: T-tests of organizational capacity

Appendix 6.1 Paired Samples T-test actual capacity 2004 and expectations of capacity 2006 in all councils

	Paired Differences		t	df	Sig. (2-tailed)
	Mean	Std. Deviation			
Elected members, managers and staff genuinely value learning	-.708	.636	-21.635	376	.000
In this council, we are keen to be innovators, as well as making improvement	-.570	.699	-15.916	380	.000
Staff regularly contribute ideas for service improvement	-.817	.712	-22.419	381	.000
Staff feel proud of council achievements and good practice	-.718	.763	-18.345	379	.000
Managers and staff share ideas and good practice across the council	-.886	.757	-22.758	377	.000
Managers and staff are keen to learn new ways of doing things	-.751	.776	-18.925	381	.000
It's easy to try out new ideas in my service	-.572	.713	-15.523	373	.000
Elected members and managers talk positively about our aims and ambitions	-.582	.668	-16.902	375	.000
Managers don't just talk about improvement, they do it	-.695	.705	-19.199	379	.000
Elected members and managers are willing to take risks and learn from mistakes	-.697	.779	-17.350	375	.000
Managers constructively challenge barriers to good practice	-.727	.742	-19.026	376	.000
Staff understand the part they play in council aims for change and improvement -	-.823	.755	-21.176	377	.000
Change champions really make a difference to improving services	-.786	.793	-19.074	369	.000
Managers encourage sharing of ideas and information with other councils and agencies	-.661	.714	-18.034	379	.000
Everyone in the council is involved in a programme of cultural change	-.863	.891	-18.884	379	.000

Staff can easily work with colleagues across internal boundaries	-.930	.786	-22.906	373	.000
We are trying out new forms of service design that do not depend on retaining services in-house	-.504	.747	-12.889	364	.000
Members and managers tend to make important decisions with partners	-.561	.653	-16.504	368	.000
We get new ideas for service improvement from joint working with other agencies	-.590	.649	-17.526	370	.000
The council listens to its users, customers and stakeholders	-.629	.789	-15.382	371	.000
Elected members, managers and staff are able to work collaboratively	-.518	.764	-12.982	366	.000
Managers and staff know how to identify gaps for learning and improvement	-.792	.681	-22.378	369	.000
Elected members, managers and staff regularly take part in learning networks with other agencies	-.767	.748	-19.693	368	.000
Managers and staff regularly seek out ideas for service improvement	-.749	.689	-20.945	370	.000
We encourage bringing in new ideas from outside the organisation	-.607	.726	-16.060	368	.000
Managers and HR officers understand how to support complex learning needs	-.786	.773	-19.441	364	.000
Managers and staff use performance data in their everyday work	-.876	.900	-18.787	371	.000
Links with national agencies are a source of ideas and improvement	-.595	.725	-15.756	367	.000
Staff can easily access the information they need to do their job effectively	-.801	.870	-17.598	365	.000
On a day to day basis, staff manage their own area of work effectively	-.577	.632	-17.372	361	.000
Staff are involved in making important decisions and plans	-.655	.643	-19.455	364	.000
We prefer to share information face to face as much as possible	-.504	.736	-12.986	358	.000
Members and managers encourage diverse opinions	-.626	.710	-16.822	363	.000

Managers and staff learn through a wide variety of opportunities inside and outside the council	-.669	.702	-18.172	362	.000
We can rely on team members for maintaining high standards of work	-.463	.699	-12.580	360	.000
Managers understand how to involve staff in making change	-.778	.807	-18.333	360	.000
We plan what we need to know	-.706	.703	-18.769	349	.000
Staff and managers prepare before taking part in learning activities	-.729	.687	-20.066	357	.000
When we have a good idea, we test it out and evaluate its effect	-.674	.659	-19.300	355	.000
The council's performance management system helps individuals to improve	-.820	.860	-17.997	355	.000
Managers know how to plan and implement change	-.812	.743	-20.800	361	.000
Managers and staff can easily integrate innovative ideas into mainstream services	-.872	.729	-22.669	358	.000
The council builds on past success	-.558	.673	-15.786	361	.000
We are good at delivering better services without needing more resources	-.518	.801	-12.257	358	.000
There are good opportunities to put learning into practice	-.519	.716	-13.772	359	.000
We evaluate and learn from new initiatives	-.665	.790	-15.998	360	.000

Appendix 6.2 Independent samples T-test of actual capacity in all councils 2004 and 2006

		Levene's Test for Equality of Variances					
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference
Elected members, managers and staff genuinely value learning	Equal variances assumed	.367	.545	-3.971	726	.000	-.232
	Equal variances not assumed			-3.969	717.344	.000	-.232
In this council, we are keen to be innovators, as well as making improvement	Equal variances assumed	.061	.804	-2.392	727	.017	-.169
	Equal variances not assumed			-2.387	712.967	.017	-.169
Staff regularly contribute ideas for service improvement	Equal variances assumed	.083	.774	-3.124	730	.002	-.196
	Equal variances not assumed			-3.133	728.238	.002	-.196
Staff feel proud of council achievements and good practice	Equal variances assumed	6.399	.012	-3.267	730	.001	-.223
	Equal variances not assumed			-3.283	729.918	.001	-.223
Managers and staff share ideas and good practice across the council	Equal variances assumed	1.862	.173	-4.556	728	.000	-.300
	Equal variances not assumed			-4.560	723.335	.000	-.300
Managers and staff are keen to learn new ways of doing things	Equal variances assumed	1.076	.300	-4.827	729	.000	-.305
	Equal variances not assumed			-4.851	728.999	.000	-.305
It's easy to try out new ideas in my service	Equal variances assumed	.106	.745	-1.988	720	.047	-.142
	Equal variances not assumed			-1.990	715.003	.047	-.142
Elected members and managers talk positively about our aims and ambitions	Equal variances assumed	.020	.887	-1.557	726	.120	-.102
	Equal variances not			-1.554	712.909	.121	-.102

	assumed						
Managers don't just talk about improvement, they do it	Equal variances assumed	.772	.380	-2.531	730	.012	-.158
	Equal variances not assumed			-2.541	729.523	.011	-.158
Elected members and managers are willing to take risks and learn from mistakes	Equal variances assumed	.819	.366	-2.524	723	.012	-.184
	Equal variances not assumed			-2.519	711.471	.012	-.184
Managers constructively challenge barriers to good practice	Equal variances assumed	.252	.616	-2.812	724	.005	-.170
	Equal variances not assumed			-2.822	723.879	.005	-.170
Staff understand the part they play in council aims for change and improvement	Equal variances assumed	3.366	.067	-4.655	726	.000	-.292
	Equal variances not assumed			-4.659	721.972	.000	-.292
Change champions really make a difference to improving services	Equal variances assumed	.000	1.000	-.939	714	.348	-.072
	Equal variances not assumed			-.939	708.034	.348	-.072
Managers encourage sharing of ideas and information with other councils and agencies	Equal variances assumed	.001	.971	-.846	727	.398	-.054
	Equal variances not assumed			-.846	721.188	.398	-.054
Everyone in the council is involved in a programme of cultural change	Equal variances assumed	.640	.424	-1.109	727	.268	-.085
	Equal variances not assumed			-1.109	721.004	.268	-.085
Staff can easily work with colleagues across internal boundaries	Equal variances assumed	.001	.982	-4.711	723	.000	-.302
	Equal variances not assumed			-4.731	722.999	.000	-.302
We are trying out new forms of service	Equal variances	.782	.377	-1.334	711	.183	-.105

design that do not depend on retaining services in-house	assumed						
	Equal variances not assumed			-1.334	704.580	.183	-.105
Members and managers tend to make important decisions with partners	Equal variances assumed	2.851	.092	-.357	717	.721	-.023
	Equal variances not assumed			-.356	692.367	.722	-.023
We get new ideas for service improvement from joint working with other agencies	Equal variances assumed	.031	.859	-.268	722	.788	-.018
	Equal variances not assumed			-.268	715.010	.789	-.018
The council listens to its users, customers and stakeholders	Equal variances assumed	.102	.749	-1.895	721	.058	-.121
	Equal variances not assumed			-1.894	713.200	.059	-.121
Elected members, managers and staff are able to work collaboratively	Equal variances assumed	5.431	.020	-2.322	720	.021	-.161
	Equal variances not assumed			-2.331	719.957	.020	-.161
Managers and staff know how to identify gaps for learning and improvement	Equal variances assumed	.090	.764	-2.627	719	.009	-.158
	Equal variances not assumed			-2.635	718.989	.009	-.158
Elected members, managers and staff regularly take part in learning networks with other agencies	Equal variances assumed	.866	.352	-1.180	718	.238	-.087
	Equal variances not assumed			-1.182	716.632	.238	-.087
Managers and staff regularly seek out ideas for service improvement	Equal variances assumed	1.816	.178	-2.733	719	.006	-.168
	Equal variances not assumed			-2.732	712.880	.006	-.168
We encourage bringing in new ideas from outside the organisation	Equal variances assumed	.000	.990	-3.516	720	.000	-.224
	Equal variances not assumed			-3.513	712.216	.000	-.224

Managers and HR officers understand how to support complex learning needs	Equal variances assumed	.305	.581	-1.501	714	.134	-.101
	Equal variances not assumed			-1.501	709.412	.134	-.101
Managers and staff use performance data in their everyday work	Equal variances assumed	2.806	.094	-5.933	722	.000	-.436
	Equal variances not assumed			-5.960	721.853	.000	-.436
Links with national agencies are a source of ideas and improvement	Equal variances assumed	2.082	.150	.064	720	.949	.004
	Equal variances not assumed			.064	719.341	.949	.004
Staff can easily access the information they need to do their job effectively	Equal variances assumed	.363	.547	-3.903	714	.000	-.247
	Equal variances not assumed			-3.916	714.000	.000	-.247
On a day to day basis, staff manage their own area of work effectively	Equal variances assumed	16.320	.000	-4.254	712	.000	-.209
	Equal variances not assumed			-4.260	711.126	.000	-.209
Staff are involved in making important decisions and plans	Equal variances assumed	.760	.384	-2.946	711	.003	-.173
	Equal variances not assumed			-2.942	703.540	.003	-.173
We prefer to share information face to face as much as possible	Equal variances assumed	.373	.542	-1.998	708	.046	-.128
	Equal variances not assumed			-2.002	707.898	.046	-.128
Members and managers encourage diverse opinions	Equal variances assumed	1.525	.217	-2.869	711	.004	-.189
	Equal variances not assumed			-2.867	705.645	.004	-.189
Managers and staff learn through a wide variety of opportunities inside and outside the council	Equal variances assumed	2.427	.120	-2.809	711	.005	-.177

	Equal variances not assumed			-2.806	704.643	.005	-.177
We can rely on team members for maintaining high standards of work	Equal variances assumed	20.071	.000	-2.314	709	.021	-.127
	Equal variances not assumed			-2.326	702.393	.020	-.127
Managers understand how to involve staff in making change	Equal variances assumed	.052	.819	-3.831	711	.000	-.241
	Equal variances not assumed			-3.843	710.857	.000	-.241
We plan what we need to know	Equal variances assumed	.519	.472	-2.113	695	.035	-.134
	Equal variances not assumed			-2.114	694.835	.035	-.134
Staff and managers prepare before taking part in learning activities	Equal variances assumed	1.849	.174	-1.759	699	.079	-.115
	Equal variances not assumed			-1.761	698.434	.079	-.115
When we have a good idea, we test it out and evaluate its effect	Equal variances assumed	.020	.886	-2.626	705	.009	-.171
	Equal variances not assumed			-2.631	704.998	.009	-.171
The council's performance management system helps individuals to improve	Equal variances assumed	.213	.644	-1.836	707	.067	-.133
	Equal variances not assumed			-1.840	706.982	.066	-.133
Managers know how to plan and implement change	Equal variances assumed	.065	.799	-3.579	708	.000	-.224
	Equal variances not assumed			-3.591	707.255	.000	-.224
Managers and staff can easily integrate innovative ideas into mainstream services	Equal variances assumed	.004	.947	-3.180	708	.002	-.206
	Equal variances not assumed			-3.183	706.943	.002	-.206
The council builds on past success	Equal variances assumed	1.426	.233	-2.130	709	.034	-.137
	Equal variances not			-2.133	707.976	.033	-.137

	assumed						
We are good at delivering better services without needing more resources	Equal variances assumed	4.359	.037	-2.978	708	.003	-.209
	Equal variances not assumed			-2.988	706.990	.003	-.209
There are good opportunities to put learning into practice	Equal variances assumed	.709	.400	-.121	708	.904	-.007
	Equal variances not assumed			-.121	707.798	.903	-.007
We evaluate and learn from new initiatives	Equal variances assumed	.003	.954	-2.108	708	.035	-.137
	Equal variances not assumed			-2.113	707.999	.035	-.137

Appendix 6.3 Independent Samples T-Test of dimensions of actual capacity 2004. Beacon and non-Beacon councils

		Levene's Test for Equality of Variances					
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference
alignment actual capacity 2004	Equal variances assumed	.075	.784	4.642	240	.000	2.64683
	Equal variances not assumed			4.695	208.353	.000	2.64683
leadership actual capacity 2004	Equal variances assumed	.356	.551	4.036	234	.000	2.70065
	Equal variances not assumed			4.087	204.876	.000	2.70065
structural flexibility actual capacity 2004	Equal variances assumed	2.420	.121	2.453	233	.015	1.19556
	Equal variances not assumed			2.569	206.015	.011	1.19556
knowledge actual capacity 2004	Equal variances assumed	.030	.863	4.951	232	.000	3.22432
	Equal variances not assumed			4.939	182.099	.000	3.22432
enabling conditions actual capacity 2004	Equal variances assumed	.591	.443	3.498	229	.001	1.82255
	Equal variances not assumed			3.518	187.728	.001	1.82255
planning and evaluation actual capacity 2004	Equal variances assumed	.423	.516	4.765	220	.000	3.98676
	Equal variances not assumed			4.662	158.594	.000	3.98676

Appendix 6.4 Independent Samples T-Test of dimensions of expectations of capacity 2006. Beacon and non-Beacon councils

		Levene's Test for Equality of Variances					
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference
alignment capacity expectations 2006	Equal variances assumed	1.504	.221	2.476	235	.014	1.33838
	Equal variances not assumed			2.547	211.162	.012	1.33838
leadership capacity expectations 2006	Equal variances assumed	2.077	.151	2.440	237	.015	1.65827
	Equal variances not assumed			2.504	212.402	.013	1.65827
structural flexibility capacity expectations 2006	Equal variances assumed	.537	.464	1.212	232	.227	.62298
	Equal variances not assumed			1.250	201.671	.213	.62298
knowledge capacity expectations 2006	Equal variances assumed	2.909	.089	3.015	230	.003	2.02788
	Equal variances not assumed			3.147	202.187	.002	2.02788
enabling conditions capacity expectations 2006	Equal variances assumed	.003	.959	2.051	221	.041	1.12916
	Equal variances not assumed			2.057	179.467	.041	1.12916
planning and evaluation capacity expectations 2006	Equal variances assumed	1.102	.295	3.531	217	.001	3.01344
	Equal variances not assumed			3.596	180.351	.000	3.01344

Appendix 6.5 Independent Samples T-Test of dimensions of actual capacity 2006. Beacon and non-Beacon councils

		Levene's Test for Equality of Variances					
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference
alignment actual capacity 2006	Equal variances assumed	.824	.365	6.072	182	.000	4.18322
	Equal variances not assumed			6.215	89.055	.000	4.18322
leadership actual capacity 2006	Equal variances assumed	.040	.842	4.690	182	.000	3.75672
	Equal variances not assumed			4.591	84.387	.000	3.75672
structural flexibility actual capacity 2006	Equal variances assumed	.759	.385	4.608	183	.000	2.76741
	Equal variances not assumed			4.778	94.189	.000	2.76741
knowledge actual capacity 2006	Equal variances assumed	.468	.495	4.571	184	.000	3.50382
	Equal variances not assumed			4.684	91.653	.000	3.50382
enabling conditions actual capacity 2006	Equal variances assumed	.021	.885	3.177	182	.002	1.93394
	Equal variances not assumed			3.110	81.902	.003	1.93394
planning and evaluation actual capacity 2006	Equal variances assumed	.011	.918	5.223	181	.000	4.68451
	Equal variances not assumed			5.220	88.025	.000	4.68451

Appendix 6.6 Independent Samples T-Test of variables of actual capacity 2004 Beacon and non-Beacon councils

		Levene's Test for Equality of Variances					
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference
Elected members, managers and staff genuinely value learning	Equal variances assumed	.618	.432	4.327	246	.000	.409
	Equal variances not assumed			4.408	217.155	.000	.409
In this council, we are keen to be innovators, as well as making improvement	Equal variances assumed	.684	.409	5.108	247	.000	.592
	Equal variances not assumed			5.157	208.231	.000	.592
Staff regularly contribute ideas for service improvement	Equal variances assumed	.553	.458	2.108	249	.036	.235
	Equal variances not assumed			2.128	213.188	.034	.235
Staff feel proud of council achievements and good practice	Equal variances assumed	4.418	.037	4.483	249	.000	.531
	Equal variances not assumed			4.644	229.793	.000	.531
Managers and staff share ideas and good practice across the council	Equal variances assumed	1.146	.285	2.595	248	.010	.295
	Equal variances not assumed			2.628	215.721	.009	.295
Managers and staff are keen to learn new ways of doing things	Equal variances assumed	11.656	.001	3.374	249	.001	.381
	Equal variances not assumed			3.260	183.345	.001	.381
It's easy to try out new ideas in my service	Equal variances assumed	.118	.731	2.122	245	.035	.265
	Equal variances not assumed			2.159	219.509	.032	.265
Elected members and managers talk positively about our aims and ambitions	Equal variances assumed	4.599	.033	3.038	246	.003	.340

	Equal variances not assumed			3.122	222.700	.002	.340
Managers don't just talk about improvement, they do it	Equal variances assumed	.513	.474	2.665	249	.008	.297
	Equal variances not assumed			2.761	229.832	.006	.297
Elected members and managers are willing to take risks and learn from mistakes	Equal variances assumed	7.451	.007	2.704	245	.007	.332
	Equal variances not assumed			2.788	225.030	.006	.332
Managers constructively challenge barriers to good practice	Equal variances assumed	.528	.468	3.502	244	.001	.361
	Equal variances not assumed			3.620	226.542	.000	.361
Staff understand the part they play in council aims for change and improvement	Equal variances assumed	2.073	.151	2.641	246	.009	.293
	Equal variances not assumed			2.619	194.160	.010	.293
Change champions really make a difference to improving services	Equal variances assumed	2.835	.093	4.236	245	.000	.532
	Equal variances not assumed			4.320	215.307	.000	.532
Managers encourage sharing of ideas and information with other councils and agencies	Equal variances assumed	5.771	.017	3.571	246	.000	.394
	Equal variances not assumed			3.478	184.544	.001	.394
Everyone in the council is involved in a programme of cultural change	Equal variances assumed	.944	.332	2.687	248	.008	.352
	Equal variances not assumed			2.683	203.357	.008	.352
Staff can easily work with colleagues across internal boundaries	Equal variances assumed	.063	.802	2.484	243	.014	.283

	Equal variances not assumed			2.553	208.363	.011	.283
We are trying out new forms of service design that do not depend on retaining services in-house	Equal variances assumed	.489	.485	-.098	240	.922	-.013
	Equal variances not assumed			-.100	196.707	.921	-.013
Members and managers tend to make important decisions with partners	Equal variances assumed	.029	.866	1.110	242	.268	.124
	Equal variances not assumed			1.130	199.800	.260	.124
We get new ideas for service improvement from joint working with other agencies	Equal variances assumed	.203	.653	1.968	244	.050	.225
	Equal variances not assumed			1.981	198.619	.049	.225
The council listens to its users, customers and stakeholders	Equal variances assumed	7.830	.006	3.969	243	.000	.431
	Equal variances not assumed			4.151	224.708	.000	.431
Elected members, managers and staff are able to work collaboratively	Equal variances assumed	1.426	.234	1.923	243	.056	.241
	Equal variances not assumed			1.971	212.872	.050	.241
Managers and staff know how to identify gaps for learning and improvement	Equal variances assumed	.027	.870	4.020	240	.000	.425
	Equal variances not assumed			4.126	205.436	.000	.425
Elected members, managers and staff regularly take part in learning networks with other agencies	Equal variances assumed	.226	.635	2.708	241	.007	.357
	Equal variances not assumed			2.650	176.887	.009	.357
Managers and staff regularly seek out ideas for	Equal variances assumed	2.848	.093	4.395	241	.000	.453

service improvement							
	Equal variances not assumed			4.423	193.319	.000	.453
We encourage bringing in new ideas from outside the organisation	Equal variances assumed	.277	.599	2.968	240	.003	.320
	Equal variances not assumed			3.000	199.318	.003	.320
Managers and HR officers understand how to support complex learning needs	Equal variances assumed	12.691	.000	2.435	240	.016	.289
	Equal variances not assumed			2.552	217.275	.011	.289
Managers and staff use performance data in their everyday work	Equal variances assumed	.970	.326	3.683	242	.000	.491
	Equal variances not assumed			3.667	189.368	.000	.491
Links with national agencies are a source of ideas and improvement	Equal variances assumed	1.412	.236	3.296	242	.001	.398
	Equal variances not assumed			3.173	169.615	.002	.398
Staff can easily access the information they need to do their job effectively	Equal variances assumed	.000	.984	3.156	240	.002	.366
	Equal variances not assumed			3.237	208.275	.001	.366
On a day to day basis, staff manage their own area of work effectively	Equal variances assumed	.098	.755	2.077	237	.039	.183
	Equal variances not assumed			2.065	189.672	.040	.183
Staff are involved in making important decisions and plans	Equal variances assumed	.887	.347	2.757	237	.006	.284
	Equal variances not assumed			2.772	193.786	.006	.284
We prefer to share information face to face as much as possible	Equal variances assumed	.066	.798	1.628	235	.105	.185

	Equal variances not assumed			1.645	200.455	.101	.185
Members and managers encourage diverse opinions	Equal variances assumed	.120	.730	2.555	238	.011	.286
	Equal variances not assumed			2.592	202.175	.010	.286
Managers and staff learn through a wide variety of opportunities inside and outside the council	Equal variances assumed	2.645	.105	3.531	238	.000	.385
	Equal variances not assumed			3.563	195.886	.000	.385
We can rely on team members for maintaining high standards of work	Equal variances assumed	.950	.331	2.803	236	.005	.294
	Equal variances not assumed			2.829	193.670	.005	.294
Managers understand how to involve staff in making change	Equal variances assumed	2.247	.135	3.632	239	.000	.409
	Equal variances not assumed			3.609	188.955	.000	.409
We plan what we need to know	Equal variances assumed	1.102	.295	3.070	232	.002	.360
	Equal variances not assumed			3.007	171.594	.003	.360
Staff and managers prepare before taking part in learning activities	Equal variances assumed	.001	.979	2.759	233	.006	.329
	Equal variances not assumed			2.691	173.645	.008	.329
When we have a good idea, we test it out and evaluate its effect	Equal variances assumed	.019	.891	2.165	235	.031	.255
	Equal variances not assumed			2.179	194.976	.031	.255
The council's performance management system helps individuals to improve	Equal variances assumed	.745	.389	3.197	237	.002	.407
	Equal variances not assumed			3.213	193.567	.002	.407

Managers know how to plan and implement change	Equal variances assumed	.417	.519	3.997	237	.000	.450
	Equal variances not assumed			3.977	187.404	.000	.450
Managers and staff can easily integrate innovative ideas into mainstream services	Equal variances assumed	5.653	.018	3.705	236	.000	.402
	Equal variances not assumed			3.739	196.388	.000	.402
The council builds on past success	Equal variances assumed	1.327	.250	4.405	238	.000	.493
	Equal variances not assumed			4.533	207.582	.000	.493
We are good at delivering better services without needing more resources	Equal variances assumed	.170	.681	3.186	237	.002	.423
	Equal variances not assumed			3.168	184.281	.002	.423
There are good opportunities to put learning into practice	Equal variances assumed	.561	.454	3.284	237	.001	.350
	Equal variances not assumed			3.261	189.063	.001	.350
We evaluate and learn from new initiatives	Equal variances assumed	.480	.489	3.989	237	.000	.457
	Equal variances not assumed			4.062	201.628	.000	.457

Appendix 6.7 Independent Samples T-Test of variables of expectations of capacity 2006 Beacon and non-Beacon councils

		Levene's Test for Equality of Variances					
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference
Elected members, managers and staff genuinely value learning	Equal variances assumed	.849	.358	1.126	247	.261	.099
	Equal variances not assumed			1.110	192.727	.268	.099
In this council, we are keen to be innovators, as well as making improvement	Equal variances assumed	1.333	.249	3.540	248	.000	.368
	Equal variances not assumed			3.571	210.266	.000	.368
Staff regularly contribute ideas for service improvement	Equal variances assumed	.219	.640	1.623	249	.106	.154
	Equal variances not assumed			1.642	215.037	.102	.154
Staff feel proud of council achievements and good practice	Equal variances assumed	1.469	.227	2.791	247	.006	.275
	Equal variances not assumed			2.838	215.604	.005	.275
Managers and staff share ideas and good practice across the council	Equal variances assumed	3.146	.077	1.620	246	.107	.155
	Equal variances not assumed			1.667	223.583	.097	.155
Managers and staff are keen to learn new ways of doing things	Equal variances assumed	3.036	.083	2.101	248	.037	.213
	Equal variances not assumed			2.060	193.443	.041	.213
It's easy to try out new ideas in my service	Equal variances assumed	3.654	.057	1.945	243	.053	.214
	Equal variances not assumed			2.016	228.336	.045	.214
Elected members and managers talk positively about our aims and ambitions	Equal variances assumed	.144	.705	2.440	246	.015	.236
	Equal variances not assumed			2.457	209.625	.015	.236

Managers don't just talk about improvement, they do it	Equal variances assumed	.101	.751	1.724	248	.086	.169
	Equal variances not assumed			1.802	232.099	.073	.169
Elected members and managers are willing to take risks and learn from mistakes	Equal variances assumed	.916	.340	.482	247	.630	.054
	Equal variances not assumed			.495	222.134	.621	.054
Managers constructively challenge barriers to good practice	Equal variances assumed	15.487	.000	2.237	246	.026	.224
	Equal variances not assumed			2.367	238.123	.019	.224
Staff understand the part they play in council aims for change and improvement	Equal variances assumed	.054	.817	2.219	247	.027	.219
	Equal variances not assumed			2.242	208.521	.026	.219
Change champions really make a difference to improving services	Equal variances assumed	13.236	.000	3.469	243	.001	.429
	Equal variances not assumed			3.566	220.802	.000	.429
Managers encourage sharing of ideas and information with other councils and agencies	Equal variances assumed	.007	.936	2.276	246	.024	.232
	Equal variances not assumed			2.290	206.130	.023	.232
Everyone in the council is involved in a programme of cultural change	Equal variances assumed	.025	.874	1.540	248	.125	.195
	Equal variances not assumed			1.519	195.034	.130	.195
Staff can easily work with colleagues across internal boundaries	Equal variances assumed	.160	.689	.833	243	.406	.083
	Equal variances not assumed			.846	204.503	.398	.083
We are trying out new forms of service design that do not depend on retaining	Equal variances assumed	.483	.488	-.566	241	.572	-.075

services in-house							
	Equal variances not assumed			-.561	184.383	.576	-.075
Members and managers tend to make important decisions with partners	Equal variances assumed	.916	.339	.711	242	.478	.081
	Equal variances not assumed			.723	199.488	.471	.081
We get new ideas for service improvement from joint working with other agencies	Equal variances assumed	.650	.421	1.161	243	.247	.133
	Equal variances not assumed			1.174	198.255	.242	.133
The council listens to its users, customers and stakeholders	Equal variances assumed	.222	.638	2.409	244	.017	.229
	Equal variances not assumed			2.488	220.475	.014	.229
Elected members, managers and staff are able to work collaboratively	Equal variances assumed	.010	.920	1.921	242	.056	.222
	Equal variances not assumed			1.973	214.373	.050	.222
Managers and staff know how to identify gaps for learning and improvement	Equal variances assumed	.849	.358	3.125	240	.002	.307
	Equal variances not assumed			3.106	186.090	.002	.307
Elected members, managers and staff regularly take part in learning networks with other agencies	Equal variances assumed	.592	.442	1.708	240	.089	.215
	Equal variances not assumed			1.735	202.380	.084	.215
Managers and staff regularly seek out ideas for service improvement	Equal variances assumed	.171	.679	2.606	241	.010	.253
	Equal variances not assumed			2.648	202.217	.009	.253
We encourage bringing in new ideas from outside the organisation	Equal variances assumed	.029	.865	2.276	238	.024	.224
	Equal variances not assumed			2.291	191.332	.023	.224

Managers and HR officers understand how to support complex learning needs	Equal variances assumed	2.288	.132	1.701	239	.090	.198
	Equal variances not assumed			1.731	200.567	.085	.198
Managers and staff use performance data in their everyday work	Equal variances assumed	.074	.786	2.595	239	.010	.287
	Equal variances not assumed			2.681	209.745	.008	.287
Links with national agencies are a source of ideas and improvement	Equal variances assumed	.195	.659	1.760	238	.080	.220
	Equal variances not assumed			1.754	188.093	.081	.220
Staff can easily access the information they need to do their job effectively	Equal variances assumed	1.368	.243	3.003	239	.003	.312
	Equal variances not assumed			3.280	235.178	.001	.312
On a day to day basis, staff manage their own area of work effectively	Equal variances assumed	3.645	.057	1.402	233	.162	.119
	Equal variances not assumed			1.385	181.168	.168	.119
Staff are involved in making important decisions and plans	Equal variances assumed	.461	.498	.965	237	.336	.095
	Equal variances not assumed			.955	187.196	.341	.095
We prefer to share information face to face as much as possible	Equal variances assumed	.387	.534	1.264	233	.208	.141
	Equal variances not assumed			1.286	202.240	.200	.141
Members and managers encourage diverse opinions	Equal variances assumed	.270	.604	.855	238	.394	.093
	Equal variances not assumed			.860	197.066	.391	.093
Managers and staff learn through a wide variety of opportunities inside and outside the council	Equal variances assumed	.006	.936	1.746	238	.082	.179

	Equal variances not assumed			1.719	181.031	.087	.179
We can rely on team members for maintaining high standards of work	Equal variances assumed	3.433	.065	2.144	236	.033	.217
	Equal variances not assumed			2.126	185.790	.035	.217
Managers understand how to involve staff in making change	Equal variances assumed	4.163	.042	2.845	235	.005	.306
	Equal variances not assumed			3.033	223.897	.003	.306
We plan what we need to know	Equal variances assumed	2.509	.115	2.235	233	.026	.225
	Equal variances not assumed			2.272	195.884	.024	.225
Staff and managers prepare before taking part in learning activities	Equal variances assumed	.009	.927	1.424	234	.156	.157
	Equal variances not assumed			1.421	190.337	.157	.157
When we have a good idea, we test it out and evaluate its effect	Equal variances assumed	2.969	.086	1.898	234	.059	.200
	Equal variances not assumed			1.919	198.082	.056	.200
The council's performance management system helps individuals to improve	Equal variances assumed	.042	.838	2.172	233	.031	.248
	Equal variances not assumed			2.199	196.416	.029	.248
Managers know how to plan and implement change	Equal variances assumed	4.456	.036	2.385	236	.018	.233
	Equal variances not assumed			2.447	206.331	.015	.233
Managers and staff can easily integrate innovative ideas into mainstream services	Equal variances assumed	5.519	.020	3.495	235	.001	.372
	Equal variances not assumed			3.563	202.820	.000	.372
The council builds on past success	Equal variances assumed	.938	.334	3.197	235	.002	.342
	Equal variances			3.416	221.948	.001	.342

	not assumed						
We are good at delivering better services without needing more resources	Equal variances assumed	.795	.374	1.748	236	.082	.218
	Equal variances not assumed			1.757	194.056	.081	.218
There are good opportunities to put learning into practice	Equal variances assumed	1.650	.200	1.759	232	.080	.183
	Equal variances not assumed			1.738	181.662	.084	.183
We evaluate and learn from new initiatives	Equal variances assumed	3.334	.069	2.021	236	.044	.224
	Equal variances not assumed			2.062	203.062	.040	.224

Appendix 6.8 Independent Samples T-Test of variables of actual capacity 2006 Beacon and non-Beacon councils

		Levene's Test for Equality of Variances					
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference
Elected members, managers and staff genuinely value learning	Equal variances assumed	3.550	.061	3.118	184	.002	.405
	Equal variances not assumed			3.073	85.001	.003	.405
In this council, we are keen to be innovators, as well as making improvement	Equal variances assumed	5.573	.019	5.935	184	.000	.943
	Equal variances not assumed			6.738	114.911	.000	.943
Staff regularly contribute ideas for service improvement	Equal variances assumed	.382	.537	3.934	184	.000	.532
	Equal variances not assumed			4.168	98.233	.000	.532
Staff feel proud of council achievements and good practice	Equal variances assumed	4.000	.047	4.332	184	.000	.587
	Equal variances not assumed			4.569	97.283	.000	.587
Managers and staff share ideas and good practice across the council	Equal variances assumed	.468	.495	3.457	184	.001	.530
	Equal variances not assumed			3.346	82.257	.001	.530
Managers and staff are keen to learn new ways of doing things	Equal variances assumed	6.604	.011	4.634	184	.000	.623
	Equal variances not assumed			4.900	97.787	.000	.623
It's easy to try out new ideas in my service	Equal variances assumed	3.339	.069	3.798	182	.000	.585
	Equal variances not assumed			3.900	89.635	.000	.585
Elected members and managers talk positively about our	Equal variances assumed	4.331	.039	3.974	184	.000	.606

aims and ambitions							
	Equal variances not assumed			4.329	104.359	.000	.606
Managers don't just talk about improvement, they do it	Equal variances assumed	8.381	.004	4.113	184	.000	.540
	Equal variances not assumed			4.410	100.828	.000	.540
Elected members and managers are willing to take risks and learn from mistakes	Equal variances assumed	.825	.365	3.765	184	.000	.639
	Equal variances not assumed			3.706	84.829	.000	.639
Managers constructively challenge barriers to good practice	Equal variances assumed	.073	.787	2.400	184	.017	.324
	Equal variances not assumed			2.401	87.463	.018	.324
Staff understand the part they play in council aims for change and improvement	Equal variances assumed	.186	.667	2.260	184	.025	.312
	Equal variances not assumed			2.289	89.516	.024	.312
Change champions really make a difference to improving services	Equal variances assumed	1.134	.288	1.552	182	.122	.274
	Equal variances not assumed			1.471	79.624	.145	.274
Managers encourage sharing of ideas and information with other councils and agencies	Equal variances assumed	5.441	.021	4.206	184	.000	.592
	Equal variances not assumed			4.751	113.555	.000	.592
Everyone in the council is involved in a programme of cultural change	Equal variances assumed	.498	.481	2.866	184	.005	.507
	Equal variances not assumed			2.843	86.039	.006	.507

Staff can easily work with colleagues across internal boundaries	Equal variances assumed	1.708	.193	3.042	184	.003	.415
	Equal variances not assumed			3.249	99.947	.002	.415
We are trying out new forms of service design that do not depend on retaining services in-house	Equal variances assumed	1.382	.241	1.625	183	.106	.288
	Equal variances not assumed			1.736	100.317	.086	.288
Members and managers tend to make important decisions with partners	Equal variances assumed	.780	.378	3.922	184	.000	.596
	Equal variances not assumed			3.859	84.718	.000	.596
We get new ideas for service improvement from joint working with other agencies	Equal variances assumed	.110	.740	1.718	184	.087	.264
	Equal variances not assumed			1.845	101.142	.068	.264
The council listens to its users, customers and stakeholders	Equal variances assumed	4.432	.037	3.968	184	.000	.572
	Equal variances not assumed			4.207	98.354	.000	.572
Elected members, managers and staff are able to work collaboratively	Equal variances assumed	5.464	.020	4.232	184	.000	.621
	Equal variances not assumed			4.685	108.313	.000	.621
Managers and staff know how to identify gaps for learning and improvement	Equal variances assumed	.458	.499	3.430	184	.001	.450
	Equal variances not assumed			3.521	91.979	.001	.450
Elected members, managers and staff regularly take part in learning networks with other agencies	Equal variances assumed	2.464	.118	4.206	184	.000	.690
	Equal variances not			4.436	97.247	.000	.690

	assumed						
Managers and staff regularly seek out ideas for service improvement	Equal variances assumed	1.492	.223	3.347	184	.001	.469
	Equal variances not assumed			3.384	89.201	.001	.469
We encourage bringing in new ideas from outside the organization	Equal variances assumed	8.294	.004	4.150	184	.000	.604
	Equal variances not assumed			4.422	99.432	.000	.604
Managers and HR officers understand how to support complex learning needs	Equal variances assumed	2.157	.144	2.785	184	.006	.421
	Equal variances not assumed			2.999	101.702	.003	.421
Managers and staff use performance data in their everyday work	Equal variances assumed	1.685	.196	1.447	184	.150	.222
	Equal variances not assumed			1.512	95.327	.134	.222
Links with national agencies are a source of ideas and improvement	Equal variances assumed	.039	.845	1.949	184	.053	.303
	Equal variances not assumed			1.967	88.988	.052	.303
Staff can easily access the information they need to do their job effectively	Equal variances assumed	2.979	.086	2.832	184	.005	.345
	Equal variances not assumed			2.924	93.072	.004	.345
On a day to day basis, staff manage their own area of work effectively	Equal variances assumed	.053	.818	2.432	183	.016	.248
	Equal variances not assumed			2.437	87.966	.017	.248
Staff are involved in making important decisions and plans	Equal variances assumed	4.160	.043	1.624	183	.106	.197
	Equal variances not			1.736	100.525	.086	.197

	assumed						
We prefer to share information face to face as much as possible	Equal variances assumed	.047	.828	1.208	182	.229	.173
	Equal variances not assumed			1.210	85.430	.230	.173
Members and managers encourage diverse opinions	Equal variances assumed	.732	.393	2.044	183	.042	.295
	Equal variances not assumed			2.022	85.818	.046	.295
Managers and staff learn through a wide variety of opportunities inside and outside the council	Equal variances assumed	.007	.935	3.412	183	.001	.466
	Equal variances not assumed			3.403	87.164	.001	.466
We can rely on team members for maintaining high standards of work	Equal variances assumed	4.293	.040	2.957	183	.004	.312
	Equal variances not assumed			3.008	90.621	.003	.312
Managers understand how to involve staff in making change	Equal variances assumed	.680	.411	2.147	183	.033	.289
	Equal variances not assumed			2.038	79.701	.045	.289
We plan what we need to know	Equal variances assumed	.069	.794	2.769	183	.006	.384
	Equal variances not assumed			2.931	98.414	.004	.384
Staff and managers prepare before taking part in learning activities	Equal variances assumed	4.405	.037	1.940	182	.054	.280
	Equal variances not assumed			1.809	77.439	.074	.280
When we have a good idea, we test it out and evaluate its effect	Equal variances assumed	1.024	.313	3.301	182	.001	.471
	Equal variances not assumed			3.205	83.158	.002	.471

The council's performance management system helps individuals to improve	Equal variances assumed	.103	.749	1.472	183	.143	.226
	Equal variances not assumed			1.490	89.767	.140	.226
Managers know how to plan and implement change	Equal variances assumed	.382	.537	3.820	183	.000	.488
	Equal variances not assumed			3.724	83.534	.000	.488
Managers and staff can easily integrate innovative ideas into mainstream services	Equal variances assumed	.149	.700	4.623	183	.000	.644
	Equal variances not assumed			4.935	100.215	.000	.644
The council builds on past success	Equal variances assumed	8.047	.005	4.075	183	.000	.536
	Equal variances not assumed			4.302	97.862	.000	.536
We are good at delivering better services without needing more resources	Equal variances assumed	8.766	.003	3.792	183	.000	.556
	Equal variances not assumed			4.164	106.769	.000	.556
There are good opportunities to put learning into practice	Equal variances assumed	.277	.599	4.573	183	.000	.570
	Equal variances not assumed			4.670	91.325	.000	.570
We evaluate and learn from new initiatives	Equal variances assumed	.168	.683	4.438	183	.000	.605
	Equal variances not assumed			4.519	90.772	.000	.605